This TSX Stock Is up 1,026% Since its IPO — And Could Have Even More Upside

Description

The Canadian markets aren't known for high-profile IPOs. Although we've seen a few notable ones over the past few years, the biggest have been in the marijuana sector, which hasn't seen as much activity as it did a few years ago. While the NYSE and NASDAQ get a new tech IPO seemingly every few months, TSX investors are left buying stocks in the same traditional industries: banking, utilities, energy, and materials.

In this environment, one stock has managed to buck the trend.

Shopify (TSX:SHOP)(NYSE:SHOP) has been one of the biggest Canadian IPO success stories of the past five years. Initially offered at $17, it opened at $34.94 on its first day of trading. It's up 1,026% since then. Compared to the **Uber** or **Lyft** IPOs, Shopify's was a smashing success. The really incredible part, though, is that the stock still may have a ways to go. Not only is Shopify way up in the markets, but it's also growing its sales at an incredible pace. Now, it may be on track to become one of the biggest e-commerce companies in the world.

Shopify's incredible growth story

In its first quarter as a public company, Shopify posted $44 million in revenue — up 90% from the same quarter a year before (when it was still private). Since then, the company's quarterly revenue has grown to $320 million — a 670% increase from its first quarter as a public company. This illustrates that Shopify's growth has been powered by real growth in the underlying business. Additionally, the company is becoming increasingly profitable as measured by adjusted EPS, and while GAAP EPS remains negative, those losses as a percentage of revenue are getting smaller.

The next Amazon?

As we've seen, Shopify's revenue is way up in the three years since its IPO. However, the stock'sgains in the markets have pulled way ahead of actual growth in the underlying business. As a result,SHOP has become fairly expensive. That doesn't mean the gains won't continue, however.

Amazon.com is an e-commerce company like Shopify that rose dramatically in the markets for decades, with its stock gains outpacing its earnings growth. The company's stock has traded at a high P/E ratio forever, because investors believed that the company's aggressive sales growth was worth postponing profits for years. Since then, Amazon has become solidly profitable — and long-term holders have been richly rewarded.

It's not inconceivable that Shopify could follow a similar trajectory. As an e-commerce company, it has often been compared to Amazon, and although its "shopping cart" model is different from Amazon's "platform" model, there are many similarities. Shopify is the leading company in a new, decentralized e-commerce paradigm, one that gives vendors the flexibility to run their stores as they wish. Should this new take on e-commerce prevail, then Shopify's current stock price will end up looking cheap.

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Author
andrewbutton