



Where Will Shopify Stock (TSX:SHOP) Be in 10 Years?

Description

I'm sure you've heard the warnings by now from analysts pretty much everywhere: **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) is overvalued, and then some.

The stock trades at around \$410 as of writing, but has a fair value at almost half that around \$210 per share.

Analysts keep saying that its [valuation](#) is taken into consideration to come up with that number, but investors don't seem to care, seeing this as the next **Amazon** and the like, and not wanting to wait around before buying it up in bulk.

But whether you bought five years ago, or buy today, there's one thing you're interested in with this stock: the future. That future is certainly bright for a stock like Shopify, but let's dig in to why.

The e-commerce opportunity

We like to think that e-commerce has put brick-and-mortar stores completely out of business, but it's just not true. Currently, those stores still dominate online sales by over \$20 trillion, but that doesn't mean e-commerce isn't slowly catching up.

In 2018, e-commerce sales rose by a whopping 15%, and that number is only expected to rise in this growing industry. But here's the catch: those sales are still dominated by names people are familiar with, such as Amazon. Shopify is now quickly becoming another one of those names.

Shopify uses much of the same model as Amazon, seeing what would best be sold over the internet. That's how a bookseller turned into the biggest online retailer in the world. Both companies don't make money from sales, but from helping people find the products they need.

Sticking to strategy

Where Shopify differentiates itself is that it takes it one step forward to what the *merchant* needs as well. The company provides e-commerce solutions for small businesses, but also sets up shops for companies as big as Red Bull, or even the Canadian government. Needless to say, that leaves unlimited opportunities.

Currently, the company's subscription and merchant solutions services provide recurring revenue that have kept the company well on the path to profits. Most recently, these services helped bring the company's revenue up 50% year over year to \$320.5 million, with subscriptions up 40% and accounting for 44% of the company's top line, and merchant solutions jumping 58%.

Shopify is taking these funds to reinvest in itself, creating the Shopify Plus service for enterprise customers, large and growing online stores and brands, such as the Red Bulls of the world. It's also expanding its chain of fulfillment centres, spending \$1 billion to make itself even more of a competitor in the e-commerce space.

But there is still room to grow for this company, and the United States is one of those areas. There has been increased scrutiny on companies like Amazon in the United States, along with other tech giants, which creates an opportunity for Shopify to swoop in and pick up the slack.

Bottom line

I do believe that this stock is going to fall before it rises again, but that rise should come quickly. With a [recession](#) in our potential future, investors might drop Shopify like a hot stone given its gains over the last few months. That leaves a window area of opportunity for investors to pick up the stock.

However, I also think that the company has a strong track record, which should continue for the foreseeable future. It hasn't missed an earnings estimate yet, and is well on the way to making a profit. Really, it's been doing everything it needs in order to become the next Amazon.

Given that knowledge, I see Shopify hit much of the same targets as Amazon circa 2013-2014. The stock surged from around \$300 per share to where it is now nearing \$2,000 a share — all in just five years.

So in a decade, we could see the same with Shopify, turning your \$410 investment today into a \$2,000 investment in the next 10 years, if not higher. Given the way e-commerce is going, I'd buy up Shopify at pretty much any price.

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