



Will a \$10,000 Investment in Shopify's (TSX:SHOP) IPO Be Worth \$1 Million?

Description

As one of Canada's hottest tech companies, investors can forget that **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) only went public a few years ago. Since making its debut on the TSX on May 21, 2015, it has been one of the best performing stocks on the Index. It has been Canada's answer to **Amazon**.

Consider this: Shopify priced its initial public offering (IPO) at a mere \$17. If you were one of the lucky early investors who were able to get in at the company's list price, you would be sitting on gains of 2,387%. Yes, you read that correctly. A \$10,000 investment would be worth \$238,700 today.

On the first day of trading, Shopify's price opened at \$34.94. If you were "unlucky" and missed out on the IPO, you could still be enjoying 1,110% capital appreciation. A \$10,000 investment would be worth \$111,000 in only a few short years.

Investors tend to fear stocks that have had big gains. The prevailing theory is that the stock can't possibly go higher, can it? It certainly can, and Shopify is a prime example of this.

A top stock hitting new highs

For the better part of 2018, Shopify was stuck in a range. Short analysts such as Citron Research came out with several bearish reports on the stock. It looked like the company was finally due for a potential correction or, at worst, a total meltdown.

A funny thing about Shopify: it does nothing but deliver. Stripping out all the noise, this is a company that has beat on both the top and bottom lines every quarter since it went public. That is 16 straight quarters of outperformance. This is a management team that knows how to execute, and it does not pay to bet against them. Short-sellers know this first hand.

In 2019, the [company has more than doubled](#) (+123%), and it is touching new highs on an almost weekly basis. It isn't a good time to be a short-seller.

A top growth stock

Driving the company's strong performance is its impressive growth profile. Over the next five years, Shopify is expected to grow earnings by 48.85% on average. Likewise, revenue is expected to grow by 36% annually over the next two years. Considering the company tends to beat estimates, these growth rates may end up being on the low end.

The company is a momentum stock and as such is prone to greater volatility. Given the strong performance of the markets in 2019, it is not surprising to see Shopify reach new heights.

Surprisingly, the company remains in neutral territory from a technical standpoint. Its 14-day relative strength index is only 59, which puts it firmly in neutral territory. As such, it isn't overbought, despite its recent upwards trend. So long as the markets remain strong, [so too will Shopify](#).

Canada's best IPO of the past decade is just getting started. For a \$10,000 to be worth \$1 million, its share price would need to reach close to \$2,000 per share. Sound impossible? If Shopify is Canada's Amazon, then I would not bet against it.

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