



## 1 Red-Hot Growth Stock That Is Headed to \$1,000 in the 2020s

### Description

The Canadian technology sector boasts a tiny weighting in comparison to the much larger sector south of the border. This has driven many Canadian investors to U.S. tech equities. In the back half of this decade, one Canadian stock has managed to establish itself as a true heavyweight on the continent.

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock has averaged astonishing annual returns of over 100% in the past three years. The company launched its [initial public offering back in 2015](#). This past month, Shopify's stunning rally managed to propel it past **BCE** to become the 10th most valuable public company in Canada. Shares had climbed 174% in 2019 as of close on August 21.

The stock has seemingly passed every test thrown its way over the past several years. It overcame volatility after a short-selling attack by Andrew Left of Citron Research. Shares took a hit back in April after **Microsoft** revealed that it planned to enter the e-commerce store hosting space. Analysts were concerned that Microsoft's war chest and infrastructure could pose a serious threat to Shopify in the long term.

And, of course, there have been persistent concerns about Shopify's sky-high valuation. I will add myself to the list of naysayers on this point over the years. Shopify's stock has not slowed up, so I've been filling up on crow over the past few months.

### International growth will be key next decade

It took Shopify fewer than five years to go from a \$30 valuation around the time of its IPO to an over \$500 valuation this August. That said, Shopify will still have a lot to prove in the coming quarters. The company has yet to turn a profit, but its e-commerce business has been nothing short of revolutionary. According to Shopify, shoppers have spent more than \$100 billion on its platform-powered sites since it started operations.

International growth is going to be a huge focus for Shopify as we move into the next decade. The company has already moved to branch out its platform with other language offerings, as it is still dominated by English speakers. In the second quarter, Shopify showed that it is on track when it

comes to delivering on this ambition. International merchants added as a percentage of total merchants hit a record high in the second quarter.

Broadly, it was a great quarter for the e-commerce giant. Total revenue surged 48% year over year to \$362 million, and gross merchandise volume climbed 51% to \$13.8 billion. Its operating loss stood at \$39.6 million, or 11% of revenue, which was down from the 13% mark set in Q2 2018. For the full year, Shopify is projecting revenue between \$1.51 billion and \$1.53 billion and GAAP operating loss in the range of \$145 million to \$155 million.

## Ride the wave

Solid earnings aside, Shopify stock is quite clearly a momentum play at this stage. Shares had an RSI of 72 as of close on August 21, putting the stock in technically overbought territory. Shopify has defied these technicals again and again, and [I'm betting on the stock](#) for the rest of 2019 and beyond.

### CATEGORY

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### TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
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