



TFSA Investors: What's Driving the Recent Shopify (TSX:SHOP) Rally?

Description

Shares of e-commerce giant **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) have been on a roll recently. The stock has gained over 27% in the last month and is currently trading at \$479.25. So what's driving the growth stock higher?

Record Thanksgiving week sales

According to Shopify's press release, the last Thanksgiving weekend saw over a million merchants report record sales on its platform. The company states, "From the start of Black Friday in New Zealand, through the end of Cyber Monday in California, our merchants across more than 175 countries sold \$2.9+ billion, up from last year's \$1.8+ billion."

Shopify added, "These unprecedented sales demonstrate the power of borderless commerce and how independent businesses and direct-to-consumer brands around the world have become the heroes of Black Friday/Cyber Monday."

Shopify claims that over 25.5 million purchases were made on the Shopify platform in the holiday week. with peak sales in the range of USD \$1.5 million per minute.

The Black Friday/Cyber Monday period has long been a much-awaited weekend for North American shoppers. It's now turning into a global phenomenon, according to Shopify.

Shopify customers spent an average of USD \$83.05 per order, while for Canadian consumers, this figure stood higher at USD \$96.3. The average consumer spending for shoppers in France and the U.K was lower at USD \$66.86 and USD \$67.01 respectively.

Shopify attracted shoppers from most major cities. The top-selling cities included Toronto and London, while the top-selling countries excluding Canada were the U.K., Germany, France, and Spain.

Shopify recorded a 19% growth in cross-border shipping, while mobile remained the preferred shopping channel in 2019. Over 69% of orders were placed on smartphones or tablets and 31% were

desktop orders.

Shopify's sales in the Thanksgiving week were driven by apparel & accessories followed by make-up products, mobile phone accessories and coats/ Shopify's strong user trends resulted in a 10% gain for investors in the last week.

Shopify merchants contributed USD \$183 billion to the global economy between 2016 and 2018

Recently, Shopify also released a report outlining the impact and reach of its platform. The businesses built on the Shopify platform contributed approximately USD \$183 billion globally between 2016 and 2018.

Shopify merchants delivered over USD \$100 million in economic activity in 40+ countries and over 1 billion in 12 countries during the forecast period. Last year, online merchant sales were up 59%, easily surpassing the growth in the global e-commerce market.

Shopify's stellar growth is expected to continue over the next few years. Analysts expect company sales to reach USD \$1.55 billion in 2019, a growth of 44.9% year over year.

Sales are then expected to grow by 35.5% to USD \$2.11 billion in 2020. Although company earnings will fall 50% in 2019, it is estimated to grow by 384.2% in 2020.

Due to its robust growth metrics, Shopify stock is trading at a premium valuation. Its forward price-to-earnings multiple stands at 395.

Shopify is valued at USD \$41.82 billion in terms of market cap, or 27 times forward 2019 sales. The price-to-book-ratio is 14.8, while the price to sales ratio is 29.5.

Shopify stock remains a solid buy for long-term investors due to the [huge growth potential in e-commerce](#). However, due to its high valuation metrics, investors can expect the stock to be volatile, especially if it fails to meet Wall Street expectations.

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