



If You'd Invested \$10,000 in Shopify (TSX:SHOP) 5 Years Ago, You'd Be Rich Today

Description

Let's assume a scenario. Two investors named John and Kathy bought \$10,000 worth **Shopify** (TSE:SHOP)([NYSE:SHOP](#)) shares when the e-commerce company went public in May 2015. Both investors were pretty sure that this new stock would make them a fortune.

As expected, Shopify stock performed well and witnessed 100% growth within the first seven months. John was confident that Shopify stock couldn't go higher than that. So, he sold the shares while bringing double his investment home.

Kathy didn't pull out her money and wanted to hold her investment for the long term because she believed in the company. She's one of those investors who doesn't fiddle with portfolios every day and usually sticks with a stock for a while.

From an investment point of view, John did the right thing. It's not a wrong move to sell a stock when it has a 100% rise. However, sometimes some stocks have explosive growth and returns that could not have been imagined.

Shopify has done precisely that in the last five years and brought riches for its long-term investors. There was no way Kathy could know where her investment was going to end up after five years.

\$10,000 of Kathy's investment after five years

Shopify stock never looked back after its [IPO](#). It started trading at \$31.25 when both investors invested \$10,000 each. Now, In January 2020, it is trading at a whopping \$539.03. If we calculate the return on investment for Kathy, we get a chunky six-figure number.

The \$10,000 investment of an investor in Shopify has turned into \$172,489.93 in five years, indicating a 1,624.90% return. No stock guru can predict such tremendous growth and return percentage.

What has gone in Shopify's favour?

We can't just end the discussion on how this stock wonder has gifted it's long-term and committed partners. It is crucial to have a brief look at the reasons why Shopify stock has gone places since its IPO.

I think Shopify's solid business plan, which now hinges at providing a retail operating system to businesses, is what makes all the difference. It has created its online [retail](#) ecosphere. From offering simple online sales channels, Shopify is helping retailers with inventory management, offline point of sales, subsidized shipping, and analytics as the operations of business grow.

It is even offering a line of credit to retailers for growing and expanding goals. This B2B model of mutual benefit is paying off well for Shopify. The platform has recorded 25.5 million purchases during Thanksgiving week. It has also recorded a 19% rise in cross-border shipping, which shows its increasing North American footprint.

Summary

All market indicators suggest that Shopify will grow in every sense this year. However, as an investor, you have to exercise caution. If 100% growth is uncommon, then a 1,500% increase is of the rarest phenomenon. So, we can't expect it to happen again.

Nevertheless, Shopify stock is a good buy. It is currently trading at an outrageous 395 times forward P/E ratio, which increases its volatility, so exercise caution when purchasing.

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Date

2025/08/21

Date Created

2020/01/13

Author

jhoang

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