



\$1,000 in Shopify (TSX:SHOP) in 2015 Would Be Worth This Much Today!

Description

Shopify Inc. ([TSX:SHOP](#))([NYSE:SHOP](#)) has undoubtedly been the most exciting growth story in Canada over the past decade. The Ottawa-based online shopping platform has seen its value surge as it attracted over a million merchants from across the world to set up their digital brands.

What started off as a small online store for snowboarding equipment now serves as the intermediary for over \$41.1 billion in gross merchandise sales every year. The company itself is now worth \$73 billion, and the stock is up 62% over the past six months alone.

If you'd noticed Shopify's stellar growth rate in 2015 and deployed just \$1,000 in the company's shares at the time of its initial public offering at \$17 per share, you'd be sitting on a jaw-dropping \$35,294 today.

Bear in mind that the stock has been plunging alongside the rest of the market for the past few days. Just last week, Shopify's stock was at an all-time high and your initial \$1,000 investment would have been worth \$41,411, a compound annual return of 110% over five years.

Here's what investors need to know about what's driving Shopify's stupendous growth and where the stock is likely to go from here.

Growth driver

There are two key reasons that Shopify delivered such an incredible performance over the past five years.

On a macroeconomic level, there's a global shift away from brick-and-mortar retail to online shopping. To put this into context, the global retail industry is worth roughly \$24 trillion today — that's larger than the size of the U.S. economy! However, much of that is still physical retail in malls and corner shops.

Online shopping was worth only \$1.5 trillion in 2015, when Shopify went public, and is now worth \$4.1 trillion — more than triple the size in less than five years. In other words, Shopify rode the wave of e-commerce adoption.

Another factor driving the company's growth is its unique value proposition. Shopify serves as a back-office platform that allows anyone to create an online brand and sell goods easily.

This differentiates it from online giants like **Amazon** and **eBay** that overshadow the seller's brand and effectively own the customer's experience.

Shopify's business model serves as its key competitive advantage against larger rivals.

Future prospects

Now that early investors have enjoyed stellar returns, where does the stock go from here? Well, Shopify's market value seems to have overshot its intrinsic value at the moment. The stock currently trades at a price-to-sales ratio of 30 and a price-to-operating earnings ratio of 1000!

However, the stock rarely trades at a fair valuation. Meanwhile, Shopify's management team is deploying billions of dollars into creating a fulfillment network that will bolster its competitive advantage — and global e-commerce is still worth just 16% of total retail sales, giving it plenty of room left to grow.

Shopify's growth story is far from over. I wouldn't expect the stock to *ever* be undervalued, but I would certainly consider adding some exposure if the price dips and the market corrects.

Bottom line

Shopify's stock should be on every [growth-oriented investor's](#) watch list for the next decade.

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