



A Growth Fairytale: Shopify (TSX:SHOP) Turned \$10,000 Into \$220,000 in Just 5 Years

Description

It's not every day that the **TSX** offers a stock that gives exponential returns. But one such stock has been trading in the market for the past five years. The astronomical growth of **Shopify** ([TSX:SHOP](#)) ([NYSE:SHOP](#)) on the **S&P/TSX** is one that isn't seen very often.

Shopify is the leading Canadian e-commerce company and has been around since 2004. However, Shopify saw a significant turnaround with its growth and brand recognition between 2009 and 2019.

Now, the company records tremendous profits year after year and is sitting on the market capitalization of over \$80 billion.

A stock that hasn't disappointed investors so far

Since its [IPO](#) in May 2015, Shopify has been riding high. The stock that opened around \$34 now stands way north of the magical \$500 mark. It is currently trading above \$700.

Shopify's stock price has fluctuated and dipped over the last five years. However, it has also bounced back within a couple of weeks or a month and recorded a new high.

Therefore, investors who kept investments in Shopify for a year or more have returned home with a good fortune.

An astounding one-year return

Shopify has recorded tremendous returns in the last year. It has grown investments at an amount that many growth stocks take years or even decades to reach. An investor who invested \$10,000 in Shopify stock last February has made around \$29,000 until this February.

An astonishing three-year return

Things only get better for those who have kept their investment in Shopify for long. People who invested \$10,000 three years ago are seeing their money multiply to \$85,000.

An unbelievable five-year return

People who bought Shopify shares the moment its stock started trading should be on top of the world. Those initial investments have turned into diamonds in this period. People who have invested \$10,000 in Shopify at the time of its IPO now have over \$220,000 in their accounts.

The secret behind Shopify's momentous growth

E-commerce marketplace is going through its golden phase, and Shopify is one of its biggest beneficiaries. Shopify has experienced tremendous growth in the last couple of years. Just look at its previous year's performance: it increased its number of online merchants by 30% in the previous year.

Today, it has more than one million merchants and affiliates spanning 40 countries that sell billions of dollars worth items within a single fiscal quarter.

Shopify has roped in various big retail brands across the border and the Atlantic, which has also boosted its profile. Shopify expects to grow its revenue by 38.4% in 2020 in comparison to the last year. If the growth remains in line with forecast, the Shopify stock can continue to fly high.

Conclusion

There is no doubt that Shopify has satisfied the appetite of growth-hungry investors for the last five years. However, this doesn't mean we can expect the same unprecedented growth in the future.

The 300 times forward price-to-earnings ratio suggests that the stock is highly overvalued and could dip even with a slight wobble of the market.

If you are investing in Shopify, it would be better to supplement it with a [safe growth stock](#) to offset the risk.

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2. TSX:SHOP (Shopify Inc.)

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