



## Shopify Stock Just Expanded its Potential Market by \$9 Trillion

### Description

When the going gets tough, the tough get going. The COVID-19 pandemic has unleashed unprecedented economic chaos. Most companies have suffered a drawdown. However, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock has emerged even stronger than before, despite the crisis.

The company seems to have doubled down on its aggressive growth strategy. In the long run, these ambitious moves could create immense wealth for investors. Here's a closer look at where Canada's largest tech company is heading.

### Surging demand

With everyone across the world confined to their homes, online shopping is unsurprisingly surging. Even the most reluctant shoppers have had to adopt digital platforms to get their essentials over the past few months. This was clearly reflected in Shopify's stock and financial results.

While the stock is up a jaw-dropping 94% year to date, sales in the most recent quarter have surged 47%. The company said its merchants had managed to seamlessly transition 94% of the volume to online sales in recent months. Shopify is attracting more customers and more merchants completely organically.

This could have been an opportunity for the firm to finally turn profitable. But management has decided to reinvest the extra cash flow back into the business.

### Aggressive expansion

It seems Shopify is no longer content being an e-commerce platform. Last year, the company announced it would launch a physical fulfillment network. This year, it announced a merchant lending and payment processing platform as well. This month, it rebranded and redesigned its mobile package tracking app into a complete mobile shopping app.

The company is aggressively moving into **Square**, **Lightspeed POS**, and **Amazon's** turfs. Payment processing and merchant lending are worth hundreds of billions of dollars. Amazon's potential market, global e-commerce, could be worth \$9.2 trillion by 2022. In other words, Shopify has expanded its potential market by trillions in just a few months.

## Shopify stock's valuation

Of course, growth and quality are rare, which means they're also often overpriced. Shopify stock's valuation is not cheap. It currently trades for [44 times sales](#)! The company is free cash flow positive, but only marginally. Free cash flow over the past 12 months was just \$8.2 million, while the company is worth \$120 billion.

Shopify seems priced to perfection. However, it has a track record of executing ambitious plans, so the probability that it could someday be worth over \$1 trillion is close to zero. The stock probably deserves a spot on every growth investor's portfolio.

## Foolish takeaway

There were plenty of critics of Amazon's aggressive growth strategy over the past decade. However, Jeff Bezos's incredible persistence and pragmatism has prevailed and created an absolute fortune for loyal investors.

Shopify seems to be on a similar track. Just like its larger rival, the company is moving aggressively to expand during a crisis. The valuation cannot be justified by any traditional method. But for investors convinced by the firm's track record and willing to take the leap of faith, this could be an opportunity to add a potential multi-bagger to their long-term portfolios.

Ultimately, Shopify could be one of the few stocks to emerge from 2020 stronger than before.

### CATEGORY

1. Coronavirus
2. Investing

### TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

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vraisinghani

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