



It's Official: Shopify Is Now Canada's Amazon

Description

Wow! If anyone had told me that **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) would have become the largest company in Canada by market capitalization a few years ago, I would not have believed it. Passing **Royal Bank of Canada** is no simple feat. This shows just how highly investors think of Shopify and the company's business model, particularly in the context of the Covid pandemic.

Pandemic-related tailwinds are strong

I have said this before in other pieces: I think the one thing that has become very clear during this coronavirus outbreak is that business model durability has become an incredibly valuable intrinsic asset investors have flocked to. Companies like Shopify have a [business model that appears to be essentially recession-proof](#). Further, these companies may, in fact, benefit from this pandemic. Such companies have rightly seen valuations soar.

Strong long-term secular growth trends, such as the shift to e-commerce from brick-and-mortar retail, are completely resilient to shocks. Some shocks, such as a pandemic, have forced this secular shift to accelerate. This has allowed Shopify to continue to exceed expectations and blow the Street away quarter after quarter.

It appears market sentiment has really shifted toward ways to play technological advancements during this time in which we are all forced to indulge in technology in a rapid way in our new stay-at-home society. For those who expect their shift to continue or expect the coronavirus outbreak to have a second wave this autumn, Shopify and its tech giant peers appeared to be the way to play such near-term events.

The growth story remains strong

One of my biggest prior concerns with respect to Shopify's valuation are related to the extremely high levels of growth. Shopify has done an incredible job of setting aggressive growth targets each quarter. Moreover, it has been hitting these targets. The company's recent earnings release is an example of

this. Shopify has once again blown away growth expectations, during the pandemic, nonetheless, posting a surprise profit as well. As long as the company continues to keep up with its blistering pace of top-line growth, in a similar way to the U.S. e-commerce tech giant **Amazon.com**, the sky really could be the limit for Shopify's share price over the long term.

Bottom line

Shopify's passing of Royal Bank as the largest company in Canada by market capitalization is an incredible feat. When one considers the growth that is priced into such a valuation, one will see just how strongly the market believes in Shopify's long-term prospects relative to other large Canadian companies such as Royal Bank. On a valuation to revenue standpoint, for example, Shopify is valued approximately 20 to 25 times higher than Royal Bank, highlighting the growth divide between the two companies.

This coronavirus pandemic has created a situation in which the market now seems to believe that all small- and medium-sized enterprises that have flocked to the Shopify platform will stay, creating a permanent tailwind. I'm still on the sidelines, as I see too much growth built in right now. But Shopify could indeed be Canada's Amazon, so make your bets accordingly.

Stay Foolish, my friends.

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