



## \$10,000 in Shopify's (TSX:SHOP) IPO Would Make You Filthy Rich Today

### Description

Very few stocks can mimic the explosive and persistent growth that **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has displayed in the past five years. Since its IPO, the company has been growing consistently, and the pace has only accelerated in recent years. Even in the current crash, Shopify took less than two months to bounce back to its mid-February values.

The technology sector is not very strong on the **TSX**, and Shopify now constitutes a major portion of the sector. The market cap of Shopify increased at one point to become the most valuable company in Canada.

### Growth from IPO

Shopify went public on May 21, 2015 on the **NYSE** and TSX. On the NYSE, the initial offering price experienced a 60% raise and started trading at US\$28 instead of US\$17. On the TSX, the share closed on \$31.25 on its IPO. At the time of writing, the stock was trading at about \$1,081 per share. It has crossed the \$1,000 per share mark faster than many analysts had expected.

What this current valuation means is that if you had invested \$10,000 in this monstrous capital growth machine of a stock exactly five years ago at its IPO, you would be sitting on about \$345,920 right about now. That's 34.5 times growth of capital in exactly five years, and only a handful of companies can claim this level of explosive growth.

### Reasons for growth and future

While Shopify is often compared to **Amazon** and **Alibaba**, two of the world's largest e-commerce businesses, it's very different at its core and business operating model. Instead of offering a market place itself, Shopify provides an e-commerce platform and point-of-sale solutions to businesses. Currently, the company claims to be powering over a million businesses worldwide.

One of the early growth catalysts of the company was Amazon closing its web store service to

merchants. It chose Shopify as its preferred migration provider. That announcement catapulted the stock of Shopify 20%. While that was an important incident, it's not the only engine propelling Shopify's growth.

As an online retail and e-commerce platform that offers all-in-one features for small to medium-sized businesses, Shopify currently has very few competitors, especially if we consider its scale. Despite growing into a behemoth of a business, Shopify seems agile enough regarding its platform, and well-poised to adapt to [future technologies](#).

The company has minimal debt, about \$141.5 million, and a cash pile about 17 times larger (\$2.4 billion). The most recent quarter's revenue was up 47% from the first quarter of 2019. There was also a significant increase in merchant solutions revenue growth.

## Foolish takeaway

Despite its proven growth, many investors are still [wary of this](#) overvalued growth stock. It's understandable since this growth might seem too good to last for another five years. But if you look into the company's initiatives regarding R&D, logistics, merchant relations and how it dealt with the pandemic situation, the company may still have many years worth of growth left.

### CATEGORY

1. Investing
2. Tech Stocks

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

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### Date

2025/09/17

### Date Created

2020/05/22

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