



Shopify (TSX:SHOP) Could Be Canada's 1st Trillion-Dollar Company

Description

There's only a handful of companies in the world that are worth more than US\$1 trillion. Saudi Arabia's oil company and America's tech companies are the only ones on the list. **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) could be Canada's first.

As I write this, the company is already worth \$130 billion (US\$95.8 billion). Since the lockdown, the e-commerce giant has seen its value surge. Year to date, [Shopify stock is up](#) an astounding 108%. It's now the largest listed company in Canada.

However, there's plenty more room to grow. Here's why I believe Shopify stock could deliver another 10-fold return and become Canada's first trillion-dollar company.

Vast industry

Global retail is probably one of the biggest markets in the world. Global retail sales were US\$23 trillion in 2017 and could expand to US\$30 trillion by 2023. That's larger than the current gross domestic product of the United States. It's also larger than the global healthcare (\$2 trillion) and manufacturing industries (US\$215.8 billion).

Not only is this industry unimaginably huge, but it's also highly fragmented, rapidly expanding, and ripe for disruption. Most shops in India, for example, are mom-and-pop owned. The majority of shopping in developed countries still happens offline. Cash is still the preferred payment method in most countries.

E-commerce leaders such as Shopify have a chance to consolidate the market. The company has already experienced a boost in demand during the lockdown. Now, it's taking steps to cement its competitive advantage further to defeat its ultimate rival: **Amazon**.

Competitive advantage

In the e-commerce arena, Shopify is second only to Amazon. The company's business model has a competitive advantage baked into it. Unlike Amazon, Shopify helps online sellers create and control their own brand identity. This tends to attract entrepreneurs who are uncomfortable with Amazon's far-

reaching influence and adversarial business practices.

Although the Shopify merchant network is a million strong right now, I can see it expanding much further. The company is already rolling out a mobile app and fulfillment network to boost its merchant services. It has also partnered with heavyweights like **Facebook** and **Walmart** this year to take on Amazon.

Access to Walmart's distribution network and Facebook's upcoming Instagram marketplace will boost Shopify's fortune tremendously. Unfortunately, everyone is aware of this, and the best-case scenario is baked into Shopify's stock price.

Shopify's stock valuation

At \$1,100, Shopify stock trades at 50 times revenue and 30 times book value per share. The company is neither profitable nor cash flow positive, which means shareholders should expect some dilution over time.

Indeed, outstanding Shopify shares have ballooned from 53 million in 2015 to 117 million today. Nevertheless, shareholders have enjoyed a 2,771% return over that period, so capital appreciation more than offsets this dilution.

Another 1,000% return over the next decade seems genuinely plausible. Shopify could capture a significant chunk of the global retail market. That means it's on a path to become Canada's first trillion-dollar company before 2030.

Bottom line

Shopify stock seems to have nearly endless potential. In fact, it could be Canada's first trillion-dollar company within a decade. If you're a growth-oriented investor, this one should be a permanent fixture on your portfolio.

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