



## Shopify (TSX:SHOP) Stock Surges to Record High: Is it a Buy?

### Description

Shares of Canada's leading e-commerce company **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) closed trading at \$1,225 on June 22. The e-commerce giant has been one of the top-performing companies amid the COVID-19-led sell-off.

Shopify stock has returned a whopping 122% in 2020 and is currently the largest Canadian company with a market cap of \$143 billion. The Canadian heavyweight has, in fact, outperformed the broader markets since it went public in 2015. In just over five years, Shopify stock has returned a staggering 5,222% since its IPO.

### What drove Shopify stock higher in June 2020?

Shopify stock gained momentum last week after RBC Capital's analyst Mark Mahaney [increased the stock's price target](#) from US\$825 to US\$1,000. Mahaney is optimistic about the firm's expanding market opportunity that will result in revenue growth and also boost profit margins over time.

According to Mahaney, the COVID-19 pandemic has permanently altered buying patterns and accelerated the shift towards online shopping. E-commerce platforms, including **Amazon** and **Etsy**, have seen a surge in demand amid the ongoing pandemic, as malls are closed and people are forced to shop online.

Last week, Shopify also announced a partnership with **Walmart**. According to the partnership, Walmart will add 1,200 small- and medium-sized Shopify sellers on its platform to expand its product portfolio. Walmart claimed that Shopify's sellers have an enviable history of exceeding customer expectations.

Shopify stated, "Shopify merchants across the U.S. will be able to apply to sell through Walmart.com. If approved, they'll be able to connect their Shopify store to their Walmart Seller Account, enabling them to quickly and easily sync their product catalog and create product listings on Walmart.com."

Shopify sellers will be able to leverage the retailer's enormous customer base. Walmart attracts around 120 million monthly visitors to its website.

## Will Canada's leading company be worth a trillion dollars by 2025?

Shopify is well poised to be Canada's [first trillion-dollar company](#) in terms of market cap. The shift to online shopping remains a key driver for the company. E-commerce still accounts for less than 20% of total retail sales, providing an opportunity for Shopify and peers to gain significant traction in the upcoming decade.

Further, the company generates a significant amount of revenue from North America and can grow multi-fold if it expands to international markets. Its recent partnerships with Walmart and **Facebook** will help Canada's blue-eyed tech giant increase market presence and drive top-line growth in the upcoming decade.

Shopify has over a million merchants on its platform, and this number continues to grow at a significant pace. This will give a boost to the company's revenue that is forecast to grow by 37.4% to US\$2.17 billion in 2020. Analysts expect sales to increase by 34.5% to US\$2.92 billion in 2021.

Due to its recent upward spiral, Shopify stock's valuation is sky high. Its forward price-to-sales multiple is 50, while its forward price-to-earnings multiple is 1,775. The stock continues to touch record highs, despite valuation concerns. The growth potential for Shopify seems to be endless, and the stock should be on the radar of most investors.

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