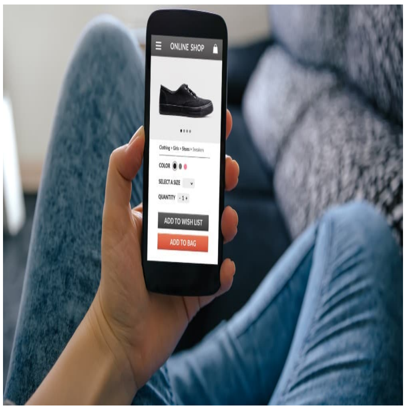

Shopify (TSX:SHOP) Stock: What's Next After a 141% Rally?

Description

Shopify (TSX:SHOP)(NYSE:SHOP) stock is on a strong bull run and has surged about 141% this year. The impressive growth in Shopify stock is due to a sharp rise in demand for its offerings. Now that the Shopify stock has rallied so much, you're probably wondering if you should sell.

It feels obvious to sell post the steep growth in the stock, and that too in a matter of months. However, investors should note that the rally in Shopify stock is not exaggerated and is far from over. There are good reasons that Shopify stock could rise further with occasional small pullbacks.

The growing shift from the offline to the online channel and Shopify's multi-channel platform provides a solid base for strong growth in its stock in the coming years.

Strong financials support upside in Shopify stock

Shopify continues to post stellar financial numbers that should support further upside in the stock. While its revenues continue to grow at a breakneck pace, its expense rate is going down, reflecting strong operating efficiencies.

Shopify's top line has grown at a CAGR (compound annual growth rate) of 67% from 2015 to 2019. Meanwhile, in the most recent quarter, its revenues surged 47% year over year. Investors should note that Shopify's monthly recurring revenues have grown consistently both on a year over year and sequential basis since 2015. Moreover, its monthly recurring revenues have grown at a CAGR of 50%.

While Shopify's revenues increased at a brisk pace, its adjusted operating expense rate has declined consistently. The e-commerce company's adjusted operating expense rate dropped from 58% in 2015 to 53% in 2019. Besides, Shopify's revenue growth outpaces the increase in its adjusted operating expenses.

Shopify's revenues have increased by 59% and 47% in 2018 and 2019, respectively. During the same period, its adjusted operating expenses registered a growth of 56% and 42%, respectively.

Rising demand

The pandemic has led to a surge in online activities that is likely to drive the demand for Shopify's products and services. The company has witnessed a sharp uptick in traffic in April, as businesses move online to meet growing customer demand.

Its partnerships with **Walmart** and **Facebook** should further amplify the demand for Shopify's products. Shopify's Facebook store helps its merchants to display and promote their products on Facebook easily. Meanwhile, customers have the ease of buying and tracking their orders directly in Messenger chat.

Meanwhile, Shopify's Walmart partnership will allow its merchants access to Walmart's millions of customers.

The addition of more sales channels should help Shopify in expanding its merchant base. It should give a push to its high-margin solutions like Shopify Capital and shipping.

Bottom line

Shopify is one such stock on which investors should bank for decades. Its multi-channel platform, expansion of products and offerings, and its ability to increase revenues while controlling costs should drive its stock higher.

The company's addition of newer sales channels, growing shipping network, favourable industry trends, and international expansion should result in higher adoption of its platform and drive demand for its payments, shipping, capital, and other services.

The e-commerce company has multiple catalysts that could continue to propel its stock value.

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