



Shopify (TSX:SHOP) Investors Just Keep Getting Richer!

Description

If you're looking for an example of a TSX stock that has made investors rich, it's hard to find a better one than **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). After going public for just \$18.50, it rose to \$1,400 in the span of a few short years. Since its closing price on its IPO date, SHOP has risen about 4,000%. If we go by the actual offering price, the return is closer to 7,500%.

These are returns you don't see every day. Over [certain time frames](#), **Air Canada** and some cannabis stocks have performed similarly. But they're all in the toilet now, while SHOP is still going strong.

Indeed, it's hard to imagine what can stop Shopify at this point. Market commentators often mention it in the same breath as FAANG stocks, with Jim Cramer going so far as to propose that that group be re-named "FAANGS" [to include SHOP](#). If Shopify really is part of that clique, then a \$1 trillion market cap could be in the cards.

SHOP continues to soar

Shopify stock has risen dramatically every single year since 2015. In most years, its stock price has appreciated more than 100%. In 2020, so far, SHOP has risen an astounding 165%. That alone is enough to turn a \$10,000 position into \$26,500. Over a longer time frame, you could have turned \$10,000 into \$400,000 by investing in SHOP.

What's really incredible about all this is that it has continued every single year for five years. The only relatively weak year SHOP had since its IPO was 2015, its first year as a public company. Excluding the gains on the IPO date, the stock was basically flat that year. Every year since, it has beaten the market.

What's behind the rally?

When you see a stock rallying 100% or more year in and year out, it's hard not to take notice. Even harder is explaining it. Investors are used to big returns from tech stocks, but SHOP's meteoric rise has

really been something else — beating **Facebook**, **Amazon** and **Microsoft** over the last five years.

Basically, there are two factors that explain Shopify's rising stock price.

The first is excitement about the future. Shopify is often compared to Amazon in its early days, and there are indeed many similarities. Both Shopify and Amazon are e-commerce leaders. Both are growing revenue at a rapid pace. Both power enormous amounts of vendor sales. Amazon eventually went on to become a trillion-dollar company, and many people are optimistic that SHOP could do the same.

The second is that SHOP's fundamentals, arguably, really are just that good. While the company doesn't have consistent GAAP profits, it does consistently grow revenue at 45-90% year over year, while usually posting positive *adjusted* earnings. Additionally, in Q2, Shopify actually did post positive GAAP profits, with \$36 million in net income. So, we've got a company with incredible revenue growth that's moving rapidly toward profitability. In light of that, is it any surprise this stock is making investors rich?

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