



## Forget Shopify (TSX:SHOP): This TSX Tech Stock Just Soared 450%

### Description

Technology giant **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) continues to generate market-beating returns and increase investor wealth. The e-commerce heavyweight has gained a staggering 5,800% since it went public in May 2015. This means a \$1,000 investment in Shopify's IPO would have returned \$58,000 today.

While several sectors have been decimated amid the COVID-19 pandemic, Shopify has not only managed to hold its own but also crush broader market returns. Shopify stock has gained close to 150% this year, as retail shops were shut amid the pandemic, which accelerated the shift towards e-commerce buying.

This rapid shift resulted in a spike in demand on Shopify's platform, which was already growing sales at an enviable rate. In the second quarter, Shopify's revenue [rose by a stellar](#) 97% to US\$714.3 million and was 40% above Wall Street estimates. Its gross merchandise volume (GMV) increased 119% to \$30.1 billion in Q2. GMV is the total value of orders processed on Shopify's platform.

Shopify, in fact, managed to outpace **eBay** in terms of total GMV in the June quarter. eBay's total GMV for Q2 was \$27.1 billion and grew 26% year over year. Shopify's GMV for the whole of 2015 stood at \$7.7 billion, and we can see why investors have been bullish on Canada's top tech stock since its IPO.

## Shopify stock is trading at a sky-high valuation

Shopify just reported a blowout quarter, and this continued to drive the stock towards record highs. However, this rally has also meant that Shopify stock is now overvalued. The company has a market cap of \$161.5 billion and is Canada's largest publicly traded company.

Shopify stock is valued at a price-to-sales multiple of 46. Its forward price-to-earnings multiple stands at 424, making it one of the most expensive stocks to hold right now. Shopify sales are forecast at US\$2.58 billion in 2020. Comparatively, eBay sales are estimated to reach \$10.73 billion this year, and the company has a market cap of \$38.5 billion.

However, while eBay sales are forecast to grow by 0.1% this year, analysts expect Shopify's sales growth at 63.6% in 2020. While Shopify stock might correct due to its high valuation metrics, the company is well poised to create massive investor wealth in 2020 and beyond.

## Docebo might outperform the tech behemoth

Shopify's outsized gains in recent years might mean that the stock's growth rate will decelerate. Make no mistake, Shopify should be bought on every major correction, and it will continue to outperform equity markets in the next decade.

However, I think one mid-cap Canadian giant can outperform Shopify. **Docebo** ([TSX:DCBO](#)) stock is trading at \$57.5 and has already gained over 450% since March 2020. This company creates software, solutions, and support systems that help enterprises train stakeholders via robust learning technologies.

Docebo went public last October and is one of the top tech stocks to watch out for. In the second quarter, Docebo sales rose 46.5% year over year to \$14.5 million. Its subscription sales accounted for 92.2% of total revenue and rose 55% in Q2.

A subscription-based business model will hold Docebo is good stead and will help the company generate a stable stream of recurring revenue across business cycles. Docebo's annual recurring revenue stood at \$57 million, up 54.5% while average contract value stood at \$27,900, up 24.6%. It also increased the customer base from 1,651 in the second quarter of 2019 to 2,046, and this was a key revenue driver.

Docebo is still relatively small and has [enough room for expansion](#), especially in international markets. It is an exciting company with multiple growth drivers. making the stock a better pick compared to Shopify right now.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

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