



Why Shopify (TSX:SHOP) Is the Stock to Hold for the Next Decade

Description

Some businesses floundered, while very few blossomed during the pandemic. **Shopify** ([TSX:SHOP](#)) ([NYSE:SHOP](#)) has certainly been one of them. From the first sale to full scale, as the Canadian tech titan describes itself, Shopify provides an end-to-end commerce platform to grow businesses.

Pandemic as a catalyst

Shopify was growing at a rapid pace even before the pandemic. The virus outbreak and ensuing lockdowns emphasized the need for small- and medium-scale businesses to go online. The company's digital platform indeed came as a life saver and helped many businesses survive during the pandemic shock.

Importantly, the pandemic has substantially altered consumer behaviour, which will accelerate the e-commerce growth for a prolonged period. With offices shifting to homes and with almost zero commutes, the e-commerce industry might achieve a decade of growth in the next few years.

According to [research](#), the global e-commerce market is expected to grow from \$3.7 trillion in 2018 to \$20 trillion by 2027. That's a staggering growth rate of 20% compounded annually. Demographic changes, high-speed internet, and convenience will be some major factors driving the growth.

Shopify's growing market

Interestingly, Shopify still has a tiny share in this gigantic market. Shopify estimates its total addressable market worth \$78 billion, with 47 million small and medium businesses globally. Its current annual revenues of close to \$2 billion and around million merchants indicate the growth potential for Shopify.

With approximately a 6% share in the U.S. retail e-commerce sales last year, Shopify held the second spot only behind **Amazon's** 37%.

Shopify's all-in-one digital platform offers convenience and wider reach to its merchant customers. It serves entrepreneurs with a monthly plan of \$29 and established brands with a plan of +\$2000 per month. Its multilingual platform offers customized email marketing tools, 3D product display, and embedded payment service options. These features facilitate better customer engagement and business expansion.

Higher growth prospects of the industry will evidently attract more players eventually. However, Shopify investors might not have to worry much about the newcomer **BigCommerce**.

It is much smaller compared to Shopify in almost every aspect from size to the number of merchants it serves. It might take years to become BigCommerce as a threat to Shopify and its investors. Notably, that seems unlikely, at least at the moment, as Shopify is doing all the right things.

The rally might continue, despite valuation concerns

Shopify stock has created massive wealth for its shareholders in the last five years. A \$10,000 investment in its IPO in May 2015 would have accumulated \$476,000 today. That's a stellar 4,660% return.

Shopify stock has rallied 180% so far this year. The stock continued to rally, despite being significantly overvalued. It has been trading well ahead of its financials for a long time. It looks like [Shopify's earnings and cash flows](#) matter a little to investors. What they value more is its competence to become the next Amazon.

Interestingly, Shopify's valuation concerns have hardly deterred its rally in the last few years. The stock might continue to rally, driven by its sky-high growth prospects and superior financial growth.

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