



\$10,000 Invested in Shopify (TSX:SHOP) IPO Would Be Worth This Much Now!

Description

Who would have imagined that **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) would become Canada's most valuable company in just five years? The tech company, an offshoot of an online platform to sell snowboarding equipment, is now the biggest digital store enabler. It caters to more than one million merchants spread across 175 countries.

Shopify's mind-boggling growth

The scale and consistency of Shopify stock's rally have been truly awe-inspiring, creating substantial wealth for its shareholders in the last few years. Interestingly, investors must have had the temptation to take on profits on several occasions in the last five years, thinking that the stock is finally peaked. However, Shopify stock has proved investors wrong every time.

Those who managed to control that lure must be sitting at a gigantic gain of 4,460%. If one had invested \$10,000 in Shopify IPO in May 2015, they would have accumulated a reserve of around \$455,835 today. Notably, the same \$10,000 would have grown to just \$10,800 in a diversified portfolio of the **TSX Composite Index** in this period.

Shopify's [revenues](#) have grown from \$50 million in 2013 to \$1.12 billion in the first half of 2020. A large portion of the global population moving from mom-and-pop stores to online shopping has been the base for Shopify's growth. Additionally, lockdowns and travel restrictions have even more prominently stressed the importance of digital presence. Thus, the tech giant witnessed a huge traffic surge from small and medium-scale businesses amid the pandemic-driven shutdowns.

Investors must be wishing that Shopify growth should continue for years. However, it wouldn't be wise to demand similar growth from a company throughout its life. Companies generally grow at a rapid pace in their growth phase and turn slow as they mature. Shopify is still in its growth phase and will slow down as it matures over the next few years.

Will Shopify be as hot after a few years?

That does not make Shopify unattractive at all. I think even if it does not grow at the same historical pace, it will likely expand at an above-average rate for years to come. Interestingly, Shopify still has a tiny share in this huge market. It values its total addressable market at \$78 billion, with 47 million small and medium businesses worldwide. Its current annual revenues of nearly \$2 billion and around million merchants onboard signal the enormous ground it has to cover.

I certainly agree with fellow market experts that Shopify is a great company, but its stock has gone too far too soon. It has been trading at an extremely inflated valuation for years. Market participants have focused more on the growth potential rather than its underlying financials. Notably, the stock continues to remain a risky bet, but I would still buy this tech beast.

Bottom line

If you are ready to stomach above-average volatility, [Shopify is the stock for you](#). However, a big one-time investment might not be prudent right now, as it lingers close to its all-time highs. Rather, buying in a couple of slices over the next few months would avail a much better deal for long-term investors.

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