



This Canadian Billionaire Got \$200 Million Richer on Election Day

Description

A lot of shareholders hit the jackpot yesterday. And one Canadian billionaire got at least \$200 million richer.

On the day of the U.S. election, stocks soared, creating massive windfalls for many of Canada's richest. **Shopify Inc's** ([TSX:SHOP](#))([NYSE:SHOP](#)) Tobias Lütke was one of the biggest beneficiaries. According to *The Globe and Mail*, Lütke owned 6.9 million SHOP shares earlier this year. On Election Day, those shares shot up 2.17%, boosting his net worth by an estimated \$200 million.

How Lütke gained \$200 million

Before going any further, it's important to point out that stock market gains aren't the same as cash income. With stocks, you don't earn any actual taxable income until you sell your holdings. It's different if your shares pay dividends, but Shopify doesn't. So Lütke's \$200 million take was not exactly a cash windfall.

Still, it was an impressive gain. Here's how it all played out.

- As of May 2020, Lütke owned [6.9 million Shopify shares](#).
- At the beginning of trading on Election Day, they were worth \$1,207 each.
- By the end of trading, they were worth \$1,237.
- The difference, \$30, times 6.9 million, gets you to \$207 million.

That's all from *one day's* worth of stock market gains! And Lütke wasn't the only billionaire to score big on Election Day. It was a great day for tech stocks in general, with **Adobe**, **Apple**, and **Amazon** shareholders all locking in gains. Tech titans like Jeff Bezos saw their pockets swell even more than Lütke did!

Should you invest in Shopify stock?

It's one thing to point out that Tobias Lütke got richer by holding Shopify shares, but quite another to say you should invest in the stock. SHOP has had a great run, but its past returns may not continue into the future.

However, there's no denying that Shopify has had some [phenomenal quarters](#) recently. In the second quarter, SHOP grew its sales by 97% year over year. In the third quarter, it grew them by 96%. In both quarters, it cranked out positive earnings. In the third, it earned \$191 million on \$767 million in sales—which results in a healthy profit margin for the quarter. These are all *great* signs for Shopify's future.

On the other hand, SHOP is an extremely expensive stock. Trading at 57 times sales and 26 times book value, it's one of the priciest tech stocks out there. To really be worth that much, the company would need to continue growing for a long time. However, 96% year-over-year revenue growth is hard to argue with.

We're looking at a company that could be doing \$10 billion a year in sales in two or three years if current growth rates continue. Perhaps paying a premium price for such a stock is worth it.

Foolish takeaway

When you read about billionaires getting hundreds of millions of dollars in a single day, it's easy to dismiss it as something detached from your reality. To be sure, most people will never see a \$200,000 one-day stock market gain, let alone a \$200 million gain.

But Lütke's Election Day gains show how quickly share holdings can increase your net worth. You may never get to \$200 million in a single day, but perhaps over the course of an investing lifetime, you could get a nice little slice of the pie for yourself.

CATEGORY

1. Investing
2. Tech Stocks

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

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