



\$10,000 Invested in Shopify (TSX:SHOP) at the Start of 2020 Is Worth This Much Today

Description

Growth stocks are one of the most popular forms of investments given their ability to generate outsized gains and create massive wealth for long-term shareholders. One of Canada's top growth companies is **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), a stock that has returned a staggering 6,000% since its initial public offering (IPO) and is up [166% year-to-date](#).

This means a \$10,000 investment in Shopify stock at the start of 2020 is worth \$26,640 today. So, given Shopify's stellar rise since it went public back in 2015, will the stock continue its momentum in 2021 as well?

An expanding addressable market

Shopify helps businesses establish a digital presence by providing them with online storefronts and other tools. It also offers several other services for order fulfillment, payments processing, inventory tracking, and launching marketing campaigns.

In short, Canada's tech giant provides cloud-based tools for merchants to run their e-commerce businesses smoothly. Due to the COVID-19 pandemic, the shift to online shopping has accelerated by a significant margin. The dreaded virus has served as a tailwind for Shopify and other e-commerce peers.

In 2019, Shopify's sales rose 47% to US\$1.58 billion and gross merchandise volume (GMV) rose 49% to US\$61.1 billion. Comparatively, its net income fell 22% to US\$34.3 million due to its focus on expansion as well as the 6 River Systems acquisition.

In the last three quarters, Shopify's sales have surged a stellar 82% to US\$1.95 billion while adjusted net profit climbed to US\$292 million. Analysts expect Shopify sales to rise by 81% in 2020 while earnings are forecast to rise by 12 times indicating high operating leverage.

Is Shopify's valuation a concern?

Its stellar growth in 2020 has meant Shopify is now Canada's most valuable company in terms of market cap. Shopify stock is valued at US\$130 billion and is trading at a forward price to sales multiple of 45.6 and a price to earnings multiple of 288 which is sky-high.

However, Shopify's stellar growth rates command a premium valuation. Its sales in 2021 are forecast to rise by 32.5% to US\$3.78 billion while earnings might fall by 2.2%.

In the last quarter, e-commerce sales accounted for 14% of retail sales in the U.S., which means Shopify and other online players have a huge market to address that is also growing at a fast clip. In fact, the top 10 U.S. retailers [might rake in](#) US\$1.5 trillion of GMV in 2020 with total retail sales likely to touch US\$4 trillion.

The Foolish takeaway

According to Jeffries analyst Samad Samana, Shopify sales might touch US\$10 billion by 2025. If it trades at 25 times sales at the end of 2025, Shopify will have a market cap of US\$250 billion, almost doubling your returns once again.

Shopify is an ultra-high-growth stock that might be bound for a correction. However, any correction in this stock should be viewed as a buying opportunity. Shopify has several revenue growth drivers, making it one of the top **TSX** stocks for 2021 and beyond.

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Author

araghunath

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