



## Shopify (TSX:SHOP) Crushed Amazon in 2020

### Description

Ever since it went public, **Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)) has been compared to **Amazon.com** ([NASDAQ:AMZN](#)). As an e-commerce company that helps businesses sell their products online, Shopify is indeed similar to Amazon in many ways. Sure, there are differences between the two companies. Amazon *is* a platform, Shopify helps vendors establish *their own* platforms. But they're both dominant players in the lucrative e-commerce industry, and are in tacit competition for the same customers.

So it should come as no surprise that people have called Shopify "*the next Amazon*." With sky-high revenue growth and huge clout in e-commerce, it certainly resembles Amazon in its early days.

In fact, in some ways it's doing better. Whether you look at revenue growth, earnings growth, or stock price appreciation, Shopify grew more than Amazon did in 2020. Of course, Shopify is a smaller company, so it has more *room* to grow. But it's gaining on Amazon every year, and could eventually find itself in the same ballpark. Here's why.

### Superior growth

[Shopify's growth](#) absolutely *crushed* Amazon's in the third quarter.

For Amazon, revenue and earnings growth rates were:

- Revenue: up 39%.
- Net income: up 196%.

For Shopify, the [comparable metrics](#) were:

- Revenue: up 96%.
- Net income: \$191 million, up from a \$78 million *loss*.

So, Shopify beat amazon handily on revenue growth, and swung from a loss to a profit on earnings. In

both cases, the degree of year-over-year improvement was far better for Shopify.

Of course, Amazon's 196% earnings growth was nothing to laugh at. That's an absolutely phenomenal growth rate for a company as large as AMZN. But in terms of growth alone, SHOP did much better in Q3. And as you're about to see, that's not the only sense in which it did better either.

## Higher stock market returns

Shopify's stock market returns killed Amazon's in 2020. In the past 12 months, SHOP is up 167%. In the same period, AMZN is up 67% — a clear win for Shopify. And if we pull out to a wider timeframe, SHOP's outperformance increases. Over the last five years, SHOP is up 3,950%, while AMZN is up "only" 425%. Let's not kid ourselves: these are both *amazing* returns. But one of these companies is clearly doing better in the markets than the other.

## The NEXT Amazon?

It's one thing to say that Shopify beat Amazon on every relevant growth metric this year, but quite another to say it will ever be in the same ball park. Shopify's most recent quarterly profit was \$191 million, while Amazon's was \$6.3 billion.

Shopify has quite a road ahead of it before it catches up with Jeff Bezos' empire. But with 96% year-over-year revenue growth, it may very well catch up eventually. If it does, then anybody who holds SHOP shares today will be very richly rewarded in the future.

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3. TSX:SHOP (Shopify Inc.)

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**Date**

2025/09/15

**Date Created**

2021/01/05

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