



The Next Amazon: This TSX Stock Can Double Again in 2021

Description

Several investors would have loved to pick up stocks such as **Amazon** soon after it went public. Amazon has created massive wealth for long-term shareholders, and \$1,000 in this tech giant 10 years back would be worth over \$16,000 today. For IPO investors, this figure will be close to \$160,000.

Even if you missed the bus on Amazon, there is always an opportunity to accelerate your returns by identifying quality growth stocks for your portfolio. One such company that has the potential to rival Amazon's returns is Canadian tech giant **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)).

Shopify has enough growth drivers

Shopify has already crushed market returns since it went public back in 2015. The e-commerce company has returned 4,710% since its IPO, which means a \$1,000 investment fewer than six years back would be worth close to \$48,000 today.

While several companies were hurt amid the pandemic, Shopify and other e-commerce peers were largely immune to COVID-19. In fact, the pandemic acted as a major tailwind for online platforms, as people had no option but to shop online. Shopify stock gained 177% in 2020 and is all set to generate outsized gains for investors in 2021 and beyond.

In the first nine months of 2020, Shopify sales were up 82% year over year at \$1.95 billion and merchant sales rose over 100% to \$1.32 billion. The number of merchants on the Shopify platform [continues to rise](#) due to a shift in consumer behaviour.

The company also created a strong network effect, resulting in higher transaction volumes. Shopify's GMV (gross merchandise volume) was up 94% at \$78.4 billion, while monthly recurring revenue rose almost 50% to \$74.4 million.

In the last 12 months, around 37,400 partners referred a merchant to Shopify, significantly higher than the 23,000 figure in the prior 12-month period. Shopify continues to expand its portfolio of products and services, resulting in repeat purchases and strong customer-retention rates.

For example, in Q3, Shopify provided \$250 million to merchants and funded several growth initiatives. The company's fulfillment network also offers merchants access to an integrated solution at a low cost.

Steep valuation is a concern

Due to Shopify's strong revenue and earnings growth in the last few quarters, the stock is [now trading at a premium](#). Shopify is Canada's largest company with a market cap of \$183 billion. This suggests the stock is trading at a forward price-to-2021-sales multiple of 26.3 and a price-to-earnings ratio of 327.

If markets turn turbulent, Shopify stock might also experience a sell-off given its steep valuation metrics. However, as it is impossible to time the market, investors should look to increase their holdings in this company over time and benefit from dollar-cost averaging as well as compounded returns.

Alternatively, Canadians can also get exposure to Shopify stock by investing in **iShares S&P/TSX Capped Information Technology ETF**. Shopify accounts for 26.6% of the ETF, which has a targeted exposure to information technology companies in the country.

In the last 10 years, this ETF has generated annual returns of 19.7%.

CATEGORY

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2. Tech Stocks

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

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