



Why Shopify Stock Could Go from Red Hot to White Hot in 2021

Description

As far as Canadian growth stocks go, few have performed better than **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) in recent years. This is a stock that has been red hot since it's gone public, and for good reason.

Here's why I think 2021 could be the year Shopify goes white hot.

Pandemic has only accelerated growth

Fellow Fool contributor Joey Frenette recently commented on this key catalyst in a [recent piece](#). He wrote, "Many small- and medium-sized businesses (SMBs) that were reluctant to try out Shopify before the pandemic were forced to enter the realm of the digital or run the risk of being left behind amid COVID-induced lockdowns. Shopify was viewed as a critical lifeline amid the pandemic, and it won many new clients, many of whom, I believe, will remain customers of Shopify for life. Heck, some merchants may decide to ditch their pricy reopening plans altogether if their digital stores are thriving."

These comments are right on the money. Indeed, Shopify has proven itself to not only be pandemic-proof. This is a company that has thrived as a result of the secular trends perpetuated by the pandemic. As the world shifted to finding e-commerce solutions to retail lockdowns, Shopify's high-quality product offerings were pushed into the limelight. I think the acceleration in these trends is unlikely to slow. Accordingly, investors would be well served, considering this stock on dips moving forward.

Lots of upside potential, but be wary of the valuation

Perhaps the biggest knock against Shopify right now is its valuation. Investors must have a firm grasp of the reality of investing in hyper-growth stocks like Shopify. At some point, if Shopify isn't able to exceed the growth estimates endowed on the company by the market, we could see a sharp pullback. Investing at these levels requires a firm belief that this company will be able to accelerate its growth over time, not merely maintain its current torrid pace. At some point, any slowdown could cause a rapid

share price decline, so investors must brace for such an eventuality.

That said, for those with the stomach for hyper-growth investments, Shopify is one of a kind. I think this is a world-class company with a desirable business model and tons of room for growth. I would suggest being patient with this stock, as we could see some ebbs and flows over the near term. This is a stock one needs to hold with conviction, so be aware of the downside risks before jumping in with both feet.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. growth
2. growth stocks
3. tech
4. tech stocks
5. technology
6. technology stocks
7. tsx growth stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Tech Stocks

Tags

1. growth
2. growth stocks
3. tech
4. tech stocks
5. technology

6. technology stocks

7. tsx growth stocks

Date

2025/06/30

Date Created

2021/01/14

Author

chrismacdonald

default watermark

default watermark