



Why Shopify (TSX:SHOP) Stock Still Has Tons of Upside Potential!

Description

The greatest growth and momentum play on the TSX is, hands-down, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). This has been the case since the company's IPO a few years ago.

The growth [Shopify](#) has been able to generate is just out of this world. The company beats on earnings every quarter. Analysts place the growth bar higher, and Shopify continues to pole vault over with ease. As far as growth goes, Shopify is the stock every investor wants to own right now. I think the upside potential for Shopify is tremendous, and this stock could continue to soar this year.

E-commerce growth unlikely to slow

The only real headwind that Shopify could face right now would be a slowing of growth in the e-commerce sector. Some expect a post-pandemic world to be one in which we see a surge in brick-and-mortar sales, with e-commerce feeling the brunt of this shift. The thesis is consumers have so much pent-up demand to go shopping at their favourite mall that they'll stop their online shopping to put their boots on and head out the door. I think this is an unlikely scenario. While I do think customers will go back to shopping in person, this will simply supplement their online shopping habits.

I think the pandemic has structurally changed how businesses need to operate long term. I think that once companies see a greater percentage of their sales shift to online, switching back to the more traditional business models will be difficult. In other words, I see the switching costs of shutting down one's Shopify-supported e-commerce business as too high.

This shift for existing businesses is one thing — I think the focus will be on the new small- and medium-sized businesses (SMEs) that will be set up coming out of this pandemic. Indeed, if you're a believer that this recovery will be strong in the next few years, a surge in new SMEs could take Shopify's growth to the next level.

Risks do exist, so invest carefully

I think Shopify is a company is a company that investors need to own for a very long time. This is either a “forever” holding in your portfolio, or one that doesn’t match your risk profile. Personally, I’m a conservative fundamentals-based investor, so Shopify falls out of my purview. That said, I can definitely see the case for owning this growth gem long term.

Risks around the company’s valuation are prominent today. In fact, I think these risks are more pronounced than ever. The last time we saw growth stocks exhibit these types of valuations was the dot-com bubble. As we all found out, things didn’t turn out well for those who bought at the top.

However, those who haven’t owned Shopify have missed out on the leadership this stock has provided the TSX. Like it or not, if one owns a Canadian index ETF, a big chunk of this is Shopify. I think this will remain the case for some time.

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