



Will Shopify Stock (TSX:SHOP) Reach \$2,000 in 2021?

Description

Every time I ask the question of whether Shopify will hit a certain price point, it always seems to blow past it. Last June, after the stock reached a high of more than \$1,200, I looked at [whether \\$1,500 would be in reach](#). It ended up climbing to more than \$1,600. That's a far cry from the start of the year [when \\$600 was still a question mark](#). In both cases, I recognized that it was likely that Shopify would reach both price points but the larger question was whether, given its high valuation, the stock would end up staying there. So far, it's continued to hover around the \$1,500 mark.

But now it's time to look at the next milestone: \$2,000. Can Shopify hit yet another new record this year?

Here's why it could

The coronavirus pandemic kept consumers indoors and that has led to a surge in online shopping. Prior to the pandemic, the e-commerce company was seeing its sales start to taper off. After rising 73% in 2017, Shopify's revenue in 2018 rose by 59% and the year after that it jumped by 47%. It was increasing at a decreasing rate and it appeared evident that pattern would continue, especially since it wasn't the only option out there for merchants and it didn't have a strong competitive advantage.

But in its most recent quarter, Shopify reported US\$767 million in sales — double what it made in the prior-year period. And if the company can continue building on these strong growth numbers, that could continue to drive bullishness behind its share price.

Another positive development is that in two of the last three quarters, Shopify's finished in the black. Previously, profitability was a challenge for the company and now it appears to have turned a corner. If Shopify can keep generating such strong top and bottom lines, \$2,000 could easily be within reach.

Here's why it might not happen

The challenge is that the success of Shopify this year will hinge on its sales numbers. The problem I

see is that if the economy recovers and people return to their regular, day-to-day activities, there may not be as much of a need for online shopping as there was in the past (in the short term, anyway). It's even possible that consumers may look to make up for lost time and spend more time in malls and stores than they did in the past year since COVID-19 made it difficult to do so.

And a drop in its growth rate could spook investors, possibly leading to a selloff of Shopify's stock.

Which scenario is more likely?

Hitting the \$2,000 mark in 2021 would mean Shopify's stock rose more than 40% this year. It's not out of the question but it may be a long shot, even for Shopify. It's already the most valuable stock on the **TSX** and going any higher would make the stock's bubble even bigger. This time around, I'm going to say that it's unlikely the stock reaches yet another milestone, at least not this year, anyway. Too many things would have to go its way for that to happen.

CATEGORY

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Author

djagielski

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