



Shopify (TSX:SHOP) Investors: How to Make \$1 Million With This Stock

Description

Want to make \$1 million? Invest in **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). Shares are 40 times higher in just five years.

Don't worry; you're not too late. If you understand this story, you'll see there's more chance to profit.

First, understand what you're buying

If you want to profit with Shopify, you must first understand why shares have skyrocketed in value. This insight will give you the ability to make wise decisions.

The vast majority of stocks don't rise 40 times in value over five years. The business needs to be special. If you want to make crazy gains, stick with *platform* stocks. These companies can grow faster than nearly any other business.

"I've long argued that the best growth stocks are platform stocks," I [stressed](#) this month. "These businesses strengthen over time, and the gains are usually winner takes all."

Let's look at Shopify stock as an example. The company runs one of the biggest e-commerce platforms on the planet. The total addressable market is well into the trillions. If Shopify can dominate this market, its valuation could easily be 10 times higher than today.

Will Shopify actually dominate e-commerce? If we've learned anything about platform businesses, the answer is yes.

Remember that platforms are often winner takes all. That's for good reason. When Shopify gets more users, it attracts more developers to build on the platform. That increases functionality, which attracts even more users, attracting yet more developers. It's a virtuous cycle. The same forces made **Microsoft** and **Amazon** what they are today.

Now, profit with Shopify stock

To be sure, Shopify's biggest days of growth are over. To get truly massive gains, you need to catch these stocks when they're at their infancy. Just don't think the rise is over.

Right now, the company has a valuation of around \$200 billion. Amazon is valued at roughly \$2 trillion. If the valuation gap converged, there would be 1,000% in additional upside. How likely is that to happen?

"Unlike **Walmart**, currently weighing whether to spend additional billions after the billions it has already spent trying to attack Amazon head-on, with a binary outcome of success or failure, Shopify is massively diversified. That is the beauty of being a platform: you succeed (or fail) in the aggregate," [explained](#) Ben Thompson, founder of *Stratechery*.

"This is how Shopify can both in the long run be the biggest competitor to Amazon even as it is a company that Amazon can't compete with: Amazon is pursuing customers and bringing suppliers and merchants onto its platform on its own terms; Shopify is giving merchants an opportunity to differentiate themselves while bearing no risk if they fail," Thompson concluded.

If Amazon is the digital Walmart, Shopify is the digital version of an independent store. There's plenty of room for both of these markets, and one dominating its niche doesn't preclude the other from dominating its segment.

Amazingly, just 10-15% of retail sales in the U.S. and Canada are done online. By dominating its niche, Shopify should catch up to Amazon's size. Meanwhile, underlying growth in e-commerce sales will add even more long-term upside.

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