



Shopify (TSX:SHOP) Stock at \$1,300: Time to Buy, Sell, or Hold?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) stock continues to soar higher. Even after a brief correction, shares are now above \$1,300.

After rising nearly 4,000% in just five years, how much higher can shares go? Will the stock's nosebleed valuation finally come crashing down in 2021? Let's find out.

This stock is just getting started

Some stocks target truly massive opportunities. That's exactly what Shopify is doing. Its technology takes a cut of every retail transaction that takes place using its software. How big is the e-commerce market? It's several trillion dollars and growing every year.

Amazon, another e-commerce giant, has proven over and over that digital retail growth is nowhere close to finished. Amazingly, less than 15% of retail sales in the U.S. are completed online. The rest are brick and mortar. In Canada, the percentage is less than 10%.

The takeaway here is that online shopping sales will continue to grow for decades to come. Seeing that it's also one of the largest markets in human history, Shopify is in the right place at the right time. Growth rates should be sustained at high levels for much longer than investors realize.

Seemingly nothing can stop this company's growth. In 2020, as the pandemic sent GDP rates around the world lower, e-commerce sales still set new records.

"In addition to this record-setting weekend, we saw holiday shopping start earlier than ever before, with daily total sales increasing 19 days before Cyber Monday, nearly two weeks earlier than previous years," [reported Business Wire](#). "In fact, in the week leading up to Cyber Monday, from November 23 through November 30, sales increased by 84% from 2019."

There's only one question left: Is SHOP stock still a good buy at a ridiculous 53 times sales?

Now is not the time to ditch Shopify stock

Is the stock's lofty multiple worth the price of admission?

"When judging whether to make an investment, I wouldn't look at the current multiple," I [wrote](#) last year. "I would look at how big the company could theoretically get and compare that to the current market cap."

This approach is better suited for high-growth companies like Shopify that operate in a winner-takes-all market. Positive feedback loops often crown just one of two winners in the tech industry. Android and iOS, for example, dominate the smartphone market. MacOS and Windows control nearly all of the computer market. For e-commerce, it'll be Amazon and Shopify.

Just looking at Amazon's market cap gives you a better idea of Shopify's ultimate upside. Amazon's valuation is more than *10 times* higher.

High-multiple stocks can be volatile, but if growth is sustained, the steep entry price can quickly look cheap. SHOP stock is a real-life testament to this. Shares have always traded at market-leading multiples, yet they've also risen almost 40 times in value since 2015.

Shopify shares could reasonably triple *several* times before they run out of steam. A decade from now, it's hard to imagine the company being worth less than it is right now. If you can stay patient, this stock is still a buy, even at \$1,300 per share.

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Author

rvanzo

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