



Shopify (TSX:SHOP) Stock at \$1,650: Should You Buy, Sell, or Hold?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) has been one of the most exciting growth stories in the last few years. The company went public back in May 2015 and has since returned over 4,600% in less than six years. So, an investment of \$1,000 in Shopify stock shortly after its IPO would be worth close to \$47,000 today.

As the world entered an economic lockdown due to the COVID-19 pandemic, the shift towards online shopping accelerated at a rapid pace. Several [e-commerce companies](#), including Shopify, **Amazon**, and **Etsy**, crushed broader market returns, driven by staggering growth in sales and earnings.

Shopify stock is up almost 200% in the last year and is currently trading around \$1,650 per share. Should you buy Canada's tech giant right now?

Shopify's Q4 results

Last month, Shopify released its Q4 results and reported revenue of US\$978 million — an increase of 94% year over year. Comparatively, its adjusted earnings per share were up by a massive 200% to US\$1.98. The company easily beat Wall Street's revenue estimates of US\$910 million and earnings forecast of US\$1.25 in the December quarter.

Despite its stellar performance in Q4, Shopify stock [lost significant market value](#) after its results. The company's management said investors should expect growth to decelerate in the upcoming quarters. As normalcy returns in a post-COVID world and economies open up, traditional retail is expected to gain pace.

However, the company said that growth in 2021 will be driven by more merchants joining the Shopify platform. While these growth numbers will lower than the ones experienced last year, it should certainly be higher than any year prior to 2020.

Shopify's subscription sales were up 53% year over year at US\$279 million while monthly recurring revenue soared by 53% to US\$83 million. Comparatively, its merchant solutions sales were up 117%

at US\$698 million.

Merchant Solutions sales were driven by an increase in GMV (gross merchandise volume) that grew by an impressive 99% to US\$41 billion in Q4. The GMV is the total value of products sold on Shopify's platform.

What's next for investors?

Shopify is one of the top growth stocks on the TSX and has created massive wealth for early investors. It is well poised to beat the broader market in 2021 and beyond. However, due to the stock's steep valuation, this ride will be volatile and bumpy. Similar to most other growth stocks, Shopify has a high beta and will underperform the TSX in a bear market.

The company continues to expand its suite of products and services, which will be a key driver of top-line growth and ensure a high customer retention rate. It has a strong balance sheet with \$6 billion in cash and short-term investments, which it can deploy to enhance its product offerings or grow via acquisitions.

Shopify is now Canada's largest company with a market cap of \$200 billion. It's valued at a forward price-to-2021-sales multiple of 39.2 and a price-to-earnings multiple of 333, which is sky high.

Despite its outstanding performance in the last year, analysts remain bullish on Shopify stock. They have a 12-month price target of US\$1,444.2, which is 10% above its current trading price.

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