



## 3 Reasons Why Shopify Will Be the First TSX Company to Be Valued at \$1 Trillion!

### Description

In the last three years, a few tech giants south of the border have surged beyond a market cap of \$1 trillion. Today, **Apple** is valued at a market cap of US\$2.1 trillion, followed by **Microsoft** at US\$1.8 trillion, **Amazon** at US\$1.6 trillion, and **Alphabet** at US\$1.4 trillion.

Comparatively, **Shopify** ([TSX:SHOP](#)) ([NYSE:SHOP](#)) which is Canada's largest company in terms of market cap is valued at US\$145 billion. There is a good chance for the e-commerce heavyweight to be the first Canadian company to touch the trillion-dollar valuation. Here's why.

### Shopify continues to grow at a rapid pace

While several industries were hit hard amid COVID-19, the pandemic served as a tailwind for e-commerce companies including Shopify. The shift to online shopping accelerated as retail stores were closed, allowing Shopify to grow revenue and earnings at a rapid pace.

In Q4, Shopify's [sales were up](#) 94% year over year at \$978 million. Comparatively, adjusted income almost tripled to \$199 million or \$1.58 per share. Comparatively, Wall Street forecast the company to post revenue of \$910 million and adjusted earnings of \$1.25 in the December quarter.

In 2020, sales were up 86% at \$2.93 billion while earnings soared by a massive 1,227% to \$3.98.

### Shopify is firing on all cylinders

Shopify's subscription sales rose 53% year over year to \$279 million as monthly recurring revenue soared to \$83 million. Its merchant solutions segment performed even better as revenue was up 117% at \$698 million.

The company's [gross merchandise volume](#) (GMV) almost doubled to \$41 billion in Q4. For 2020, the company's GMV doubled as well to \$119.6 billion.

Shopify ended 2020 with a merchant base of 1.7 million. Now, over 10,000 merchants are Shopify Plus merchants that pay a maximum subscription fee of \$2,000/month. The company's shipping sales rose by 52% in Q4, which means the merchants using the shipping network, fulfillment network and shipping solutions have grown at a rapid pace.

## Part of an expanding addressable market

During its earnings call, Shopify claimed its total addressable market expanded from \$70 billion to \$130 billion. This rise in the forecast was backed by the number of global businesses that have shifted toward e-commerce. Shopify is also capturing \$2,200 per merchant per year, up from the prior-year figure of \$1,600.

## The Foolish takeaway

Shopify has taken advantage of its high stock valuation and raised \$1.5 billion recently, which means the company now has close to \$8 billion of cash on its balance sheet and total debt of just \$913 million.

Shopify's improving liquidity gives it enough room to focus on acquisitions as well as to allocate capital for product development and improving the overall customer experience.

Shopify stock is trading at a steep forward price to sales multiple of 35.6. Its price-to-earnings ratio of 295 is also sky-high. However, the company's healthy balance sheet, secular tailwinds, and growing addressable market make it a top stock to place your bets on.

Analysts tracking Shopify have a 12-month average target price of \$1,453 for the stock, indicating its trading at a discount of 24% to estimates.

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**Author**

araghunath

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