



Here's How Shopify (TSX:SHOP) Is Building a Trillion-Dollar Empire

Description

Online retail has slowly been increasing in penetration over the past decade. In 2013, online sales accounted for 4.5% of all retail sales in Canada. By 2020, the industry had captured 10% of all retail sales. Over the past year, the pandemic has rapidly accelerated its adoption around the world as governments imposed strict lockdown orders. These have all helped **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) become the [largest company in Canada](#) by market cap.

Can Shopify become the country's first trillion-dollar company?

Its platform is very inclusive

As of this writing, Shopify's 20% market share makes it the second most popular e-commerce platform in the world, placing it ahead of competitors like **BigCommerce** and **Wix**. Some reasons for its popularity include a large library of free-to-use Shopify themes and a generally user-friendly interface. Today, more than 1.1 million merchants around the world choose Shopify to power their online stores.

However, Shopify's platform isn't limited to small- and medium-sized businesses. It possesses capabilities that large companies would want to use for their operations. In fact, several large-cap companies are listed as Shopify customers, including the likes of **Tesla**, **LVMH Moët Hennessy Louis Vuitton**, **Nestle**, **Anheuser-Busch**, and **Kraft Heinz**.

By providing the tools necessary to operate a business of any size, Shopify ensures the largest possible addressable market. In its latest earnings report, the company estimated that the size of its small- and medium-sized business market alone was \$153 billion.

The company's revenue keeps growing

Shopify's business model also contains two essential pieces of the puzzle that could eventually render it a trillion-dollar company. The first piece is Shopify's low fees (starting at \$29 a month) which make it easy for the first-time entrepreneur to start selling items online. The different subscription tiers offered

by Shopify also incentivize business owners to sign up for more expensive packages as their businesses grow.

In addition, Shopify's revenue is centred around a recurring payment concept, where the company collects many smaller payments as opposed to a large one-time payment. This makes Shopify's revenue very predictable and much more stable. In fact, the company's monthly recurring revenue has never decreased since Q1 2016. Since that quarter, Shopify has seen its monthly recurring revenue grow at a compound annual growth rate of 45%.

The company has reported strong growth rates across all of its business segments. Shopify's monthly recurring revenue from small- and medium-sized businesses has grown at least 60% each quarter since Q1 2019. Its monthly recurring revenue from Shopify Plus (enterprise) customers has grown at least 21% since Q1 2019. Finally, its revenue from apps, themes, and domains has grown at least 9% since that same quarter. These have all translated to a year-over-year increase of 110% in Shopify's quarterly revenue as of its latest earnings report.

Foolish takeaway

There are many other reasons why Shopify is well on its way to becoming Canada's first trillion-dollar company. The stock has already gained more than 4,100% [since its Initial Public Offering \(IPO\)](#), which may prompt some investors to believe that its best years of growth are behind it. However, for those that have really looked at the company's positioning within its industry, its financials, and potential, it's clear that another 10 times earnings from here may only be a matter of time.

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