



## Can Shopify (TSX:SHOP) Stock Hit \$2,000?

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has been one of the best-performing TSX stocks over the last decade. It went public in 2015 for just \$38 and now trades for \$1,475. At one point, it was \$1,900 — just a stone's throw away from \$2,000. If Shopify were to hit \$2,000, that would be a major “psychological” milestone for current shareholders, proving that the company can hit the big leagues. But will it?

### Valuation at \$2,000

If revenue and earnings didn't change, then Shopify would have a mighty steep valuation at \$2,000.

At today's price of \$1,475, Shopify has the following value metrics (according to *Yahoo! Finance*):

- Price to earnings: 95.
- Price-to-earnings growth (PEG): 9.75. *Note that this ratio requires estimates.*
- Price to sales: 44.
- Price to book: 16.

These are all pretty high metrics. And if, earnings and revenue were to stay unchanged, they'd all be a lot higher. For example, the 95 P/E ratio would grow to 128. The others would increase as well. But, as you're about to see, it is extremely unlikely that Shopify's metrics will stagnate or decline in the year ahead.

## Shopify has been growing revenue *fast*

Shopify has been growing its revenue extremely quickly over the last four quarters. For the four previous quarters, the year-over-year growth rates were as follows:

- Q2 2020: 97%.
- Q3 2020: 96%.

- Q4 2020: 93.5%.
- Q1: 110%.

These are all extremely [high growth rates](#) — high enough that they are unlikely to continue into the future. However, revenue-growth rates could continue to be strong — just not *quite* as strong as these.

A big reason for Shopify's string of 2020 revenue beats was the COVID-19 pandemic. The pandemic put many retailers out of business and forced people to shop online. As a result, e-commerce sales volumes surged 44% in a single year. That helped companies like Shopify, which help people run online stores. In fact, the help was so great that some analysts worried it would reverse after the pandemic ended. At one point, Shopify's own CFO warned of coming revenue deceleration.

Fortunately, the company changed its tune pretty quickly. Shopify's first-quarter earnings were its best yet, and the U.S. was already re-opening in that period. Canada was mostly still locked down, but Shopify, with its global reach, earned more from the U.S. than Canada. Even in this period when the corner was turning on the pandemic, Shopify still managed to produce knockout growth.

So, it's reasonable to expect that it will continue with the strong growth going forward. The next quarter that will be reported on is Q2, which will have to beat a prior-year quarter with COVID acceleration already in the equation. Most likely, the +90% growth rates we've seen will disappear. But 30% growth? 40% growth? These are real possibilities. And with growth rates like those, Shopify will be catching up with its market valuation at a rapid pace.

## Foolish takeaway

Since its IPO, Shopify has become one of Canada's all-time, biggest [tech success stories](#). Growing from a small startup to an e-commerce behemoth that's sometimes mentioned in the same breath as FAANG stocks, it has come a long way. Perhaps Shopify's days of doubling in price every single year are behind it. But it may still deliver decent returns for patient investors.

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