



Shopify (TSX:SHOP): The Best Is Yet to Come

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) has been one of the best-performing TSX stocks of the past decade. Up 5,000% in just six years, it has solidly outperformed the market. Delivering better returns than **Facebook**, **Alphabet**, and the rest of the FAANG stocks in the same period, it has exceeded investors' wildest dreams.

Shopify's results have been so good that some analysts are doubting whether they can continue. Analysts' consensus target price for SHOP is [a little higher than its current price](#), but not by much. And there's no shortage of analysts that think the stock will go down. At least one analyst has the U.S.-listed version of SHOP at US\$788, which would put the CAD price at around \$1,000.

So, there's bearish sentiment on SHOP stock. Analysts cite growing competition, post-COVID deceleration, and other risks as factors that could send the stock lower. But as a business, at least, Shopify is likely to continue outperforming. With a number of tailwinds that will make things easier for it, SHOP looks set for another record year in 2021. Most likely, the growth won't be as good as in 2020, but it will still be solid. In this article, I'll outline three solid reasons why the best is yet to come for Shopify stock.

Huge alliances with tech giants

One great thing Shopify has going for it right now is increasing alliances with [other tech companies](#). This year, it has announced plans to integrate its own eCommerce platform with retail offerings by Facebook, Google, and other large companies. The exact revenue impact of these integrations isn't clear yet. But they will certainly increase the number of eyeballs on Shopify listings, which could drive revenue growth going forward.

Incredible growth

Speaking of growth...

Shopify has been posting some of the best revenue growth numbers of any TSX stock over the last year. Here are the figures in its previous four quarters:

- Q2 2020: 97%
- Q3: 96%
- Q4: 93.5%
- Q1 2020: 110%

For the full year 2020, the revenue-growth rate was an astounding 86%. Taken as a whole, the figures above were some of the best revenue-growth rates SHOP posted since going public in 2015. And on top of that, the company posted positive GAAP earnings for the first time ever. Overall, 2020 was a banner year for Shopify.

The COVID question

Speaking of Shopify's banner year...

There are questions that can be asked about whether this year won't be as good. Shopify's growth in 2020 was phenomenal, and it will be a hard act to follow. On top of that, some analysts think that the end of the COVID-19 pandemic will hurt Shopify's sales. The pandemic actually benefited SHOP rather than hurting it, because the closure of retail stores led to more people shopping online. The result was its best fiscal year ever.

Post-COVID deceleration is a real concern for Shopify. But that doesn't mean its goose is cooked. Already, executives are softening their tone, saying they don't expect the deceleration to be as bad as initially thought. Additionally, SHOP's new partnerships with FAANG companies could drive unexpected revenue gains that nobody saw coming next year.

It's an exciting time to be a Shopify shareholder. And perhaps the best is yet to come.

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