



5-Year Prediction for Shopify (TSX:SHOP) Stock

Description

Will **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) still be the face of Canada's [technology sector](#) and the Toronto Stock Exchange's largest publicly listed company in five years? Some market observers are bolder and predict a trillion-dollar enterprise in the making down the road. The success of the e-commerce platform since going public in 2015 is phenomenal.

Many investors made tonnes of money from Shopify in the years leading up to 2021. How can you not marvel at the 6,136.38% total return (94.25% CAGR) in 6.22 years? Had you invested \$21,745 on March 21, 2015, and sold the stock on year-end 2020, your money would be worth \$1,000,075.16.

Heir to the throne

As of August 9, 2021, Shopify's market cap stands at \$245.78 billion, while the share price is \$1,948.87 (+35.59% year to date). **Royal Bank of Canada** held the top spot for years, until it yielded the throne to Shopify during the COVID year. Canada's largest bank has a market cap of \$185.03 billion.

The question of many is whether Shopify has [staying power](#). In truth, there's nothing magical about the tech company's exponential growth. Credit the business model that helps merchants of all sizes thrive in the e-commerce boom. Amy Shapero, Shopify's CFO, sums it up: "Now more than ever, Shopify needs to be there for our merchants, so our focus during these challenging times is to help solve their immediate pain points."

Changing world

The Q2 2021 financial performance indicates Shopify is destined to grow even more in the next five years. Management reported revenues of US\$1.12 billion that beat consensus estimates. The revenue growth was 57% versus Q2 2020. Subscription products grew 70% on a year-over-year basis.

Shopify's adjusted net income more than doubled from US\$129.4 million to US\$284.6 million. Its CEO,

Tobi Lütke, said, "The world is changing fast." He added points about the rapid shift to online commerce, massive disruption to conventional employment, and a growing conviction that opportunity needs to be evenly distributed. Lütke thinks that entrepreneurship has never been more important.

For her part, Shapero said the strength of the company's value proposition was on full display in Q2 2021. Shopify is transferring the benefits of scale to its merchants to enable them to sell more and sell more efficiently.

Superior company

With the way things look now, it's a very long growth runway for Shopify. It has a strong moat because of a host of competitive advantages. Management keeps introducing new products and features that business owners and merchants need to succeed.

Shopify is one of the companies you may consider superior and an economic engine. Small businesses can have the same online presence as their larger counterparts. The growth estimate of analysts in the next five years is 62.5% per annum. You can imagine the significant growth and enormous profits by 2026.

Best for growth investors

Some investors have concerns about Shopify's valuation. They say the company must deliver significant future growth to justify the high valuation. Nevertheless, expect Shopify to grow by leaps and bounds in the years ahead.

It boasts a forward-looking management team and a superb business model in the e-commerce world. The tech superstar is the best choice for [growth investors](#). However, the current share price is too high as an entry point. Wait for a pullback before you take a position.

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