



## Shopify (TSX:SHOP): Better Late Than Never

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has had an incredible run since its Initial Public Offering (IPO) in 2015. Since going public, the stock has risen 5,438%, easily blowing past all relevant benchmarks. If you'd invested \$10,000 in SHOP at its IPO date and held in until today, you'd have a position worth \$553,000. A truly incredible return.

But that naturally leads to a question:

*Can Shopify really keep up these gains?*

If SHOP keeps doubling every year, then it will hit a \$1 trillion market cap in just two years plus change, putting it in the same league as the big U.S. tech giants. True, Shopify is often mentioned in the same breath as **Amazon**, but could it really join the trillion-dollar club that quickly? In this article, I'll explore that question, and make the case that SHOP might still be a good value at today's prices.

### Why SHOP could still have room to run

There are many reasons to think that Shopify could have plenty of room to run from here. For one thing, the company is nowhere near reaching its total addressable market. Certainly, e-commerce is a [\\$4 trillion industry](#), and SHOP is doing approximately \$4 billion a year in sales based on last quarter's earnings. Obviously, there's a lot of money still up for grabs.

Now, it's not quite as simple as saying that there are four trillion free dollars floating around there waiting for SHOP to pick them up. Much of that is sales from Shopify's competitors, Amazon alone accounting for \$386 billion. But there *is* room for SHOP to take market share from competitors, and there is room for e-commerce to grow. In fact, the e-commerce industry has been projected to grow by as much as 22.7% CAGR to 2027 according to *Research and Markets*) So we've got a massive and rapidly growing pie for Shopify to dip its fingers into. That's a recipe for success.

## Risks to be aware of

There are many reasons to think that [Shopify will grow as a business](#) from here on. But there are risks to be aware of as well. Shopify is a very expensive stock, trading at a whopping 49 times sales. It takes a lot of growth to justify that kind of valuation. To be sure, SHOP did recently post four quarters in a row of revenue growth greater than 90%. But the most recent quarter saw significant deceleration down to 56%. With the COVID boost in the rearview mirror, the days of regular 90% revenue growth are probably over.

Another risk is competition. Unlike Amazon, Shopify doesn't have a "one-stop-shop" platform that everybody uses. It's an e-commerce platform that vendors use to power their own shops, and there are plenty of companies that offer the same thing. And many of them are publicly traded with plenty of funding to fuel growth. A sudden marketing push by, say, **BigCommerce**, could easily eat into Shopify's market share.

Ditto website builder apps like **Wix** and **SquareSpace**, which are now branching out into the payments business. All of these competitors are a real challenge for Shopify and will be something for investors to keep an eye on going forward.

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