



## Can Shopify Stock Continue to Shine in 2022?

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is nothing short of a [remarkable](#) Canadian success story. The e-commerce powerhouse was not only a profound sensation in Canada, but also a generational growth stock that got many American investors talking. After years of multi-bagger gains, the company now finds itself at the top of the **TSX Index**, with a jaw-dropping \$235 billion market cap, which is well higher than the top Canadian banks it surpassed in recent years.

### **SHOP stock: Expensive? Yes. Overvalued? Probably not!**

Undoubtedly, being at the [top](#) of the TSX has been both a blessing and a curse to the firms that made it in the past. Whether Shopify can stand still atop the crowd is anybody's guess. I think it can. But that said, investors shouldn't expect the same magnitude of gains to be up ahead. This market has rewarded growth and tech like nothing else. As rates climb, could the trade reverse itself? Entirely possible. That's why investors should only aim to get some skin in the game, rather than betting the farm with a name like Shopify as it crosses the much-watched \$2,000 level. It's expensive with a price-to-sales (P/S) multiple flirting at 50 times.

With many years worth of growth baked in here, investors need to ask themselves if management can continue surprising analysts and delighting shareholders with vertical moves that could unlock new growth paths. Shopify Payments shows tremendous promise, and it could very well allow the Canadian e-commerce giant to grow into its rich multiple. Shopify has never been a cheap stock, after all! Heck, it's never been anything short of stupidly expensive for years now!

### **Shopify isn't slowing down without a fight**

The pandemic has likely pushed Shopify some amount of time into the future. Innovation is showing no signs of slowing down, as the company looks to continue leading the charge in the small- and medium-sized business (SMB) e-commerce market. The market still gives Shopify the means to double up many times over. If it can execute and scale-up, while disrupting new markets, Shopify could easily climb past \$5,000 in a few years.

That said, Shopify is getting so big that it may have to play some defence rather than going on all-out on offence. Up-and-coming e-commerce firms are very hungry for Shopify's share of the SMB e-commerce space. And in recent news, **Amazon.com** is not backing down with its plans to get into the point-of-sale business despite its past bout of limited success in cutting in on Shopify's turf in the past.

Amazon, the big bad wolf in the e-commerce space, has quietly scooped up smaller e-commerce firms to improve its chances of growing into new corners within the e-commerce market.

Shopify stock sold off on news of Amazon's POS ambitions. Given that Shopify has done a great job of fending off the e-commerce king in the past, I think such a sell-off may be exaggerated. In any case, amplified and exaggerated sell-offs are to be expected whenever you've got a multiple as rich as Shopify's!

## Can Shopify continue to shine as competition heats up?

That's the million-dollar question. While I do think Shopify can continue rewarding investors with market-beating gains over the long run, rising competitive threats could impair the stock's ability to generate the type of jaw-dropping returns delivered over the past five years. Great company, questionable valuation. My takeaway? Buy Shopify stock on dips!

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