



## Could Shopify Still Be a Millionaire-Maker Stock?

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has been a massive wealth creator for long-term investors. Shares of the e-commerce heavyweight have gained a monstrous 5,960% since its IPO in mid-2015, easily dwarfing the broader markets in the process.

But past returns are almost irrelevant for current investors, and we need to look if Shopify remains a solid bet at its current price and valuation. Is Shopify stock a millionaire maker or will it underperform the indices due to its steep valuation?

A millionaire-maker stock is one that can generate 10 times its value in 20 years. If we consider this metric, Shopify has already been a millionaire maker for IPO investors.

### Shopify is firing on all cylinders

Shopify provides a commerce platform and services, in Canada, and other international markets. The platform allows merchants to run their business across multiple channels, including digital and traditional retail. Its suite of products and services enables the merchants to manage products and inventory, process orders and payments, fulfill and ship orders as well as build customer relationships, source products, and leverage analytics and reporting.

The COVID-19 pandemic acted as a massive tailwind for Shopify, as sellers had to set up a digital presence due to economic lockdowns, while buyers had to shop online as retail stores were closed. This allowed Shopify to increase sales by 86% year over year in 2020.

Canada's tech heavyweight has increased sales from \$673 million in 2017 to \$2.92 billion in 2020. This has allowed the company to report an operating profit of \$90.15 million in 2020 compared to a loss of \$49 million in 2017.

Wall Street expects Shopify to increase sales by 58.3% to \$4.64 billion this year and by 34% to \$6.21 billion in 2022. Its also expected to increase adjusted earnings per share from \$3.98 in 2020 to \$6.43 in 2022.

## SHOP stock is very expensive

If Shopify stock gains 10 times in market value, it will be valued at [a market cap](#) of \$1.8 trillion, which is similar to **Amazon's** current valuation. However, Amazon has generated \$443 million in sales in the last 12 months, which is 100 times Shopify's forward sales.

Shopify stock is valued at a price-to-2021-sales multiple of 38.8, while Amazon's multiple is much lower at 3.86. While Shopify's robust forecasts allow it to command a premium valuation, it will soon trade at reasonable multiples once growth rates normalize.

Considering Amazon's current ratios, Shopify will have to increase its sales at an annual rate of 25.4% in the next 20 years, which might be difficult to replicate.

## The Foolish takeaway

Shopify is part of an industry that's expanding at an enviable rate. In the United States, [e-commerce accounts](#) for just 13% of retail sales and is forecast to grow to 23.5% by 2025, according to a report from eMarketer.

In Q2 of 2021, Shopify grew its sales by 57% year over year, exceeding \$1 billion in quarterly sales for the first time ever. It generates a significant portion of sales via merchant subscriptions, allowing Shopify to derive steady cash flows across business cycles.

A multi-trillion-dollar valuation is a difficult metric to achieve. But if there is one Canadian company that is likely to hit this goal, it will be Shopify.

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