



Is Shopify Stock a Buy?

Description

Shopify has been one of the most popular stocks on the **TSX** since its IPO. In fact, over the past six years, few companies have been able to keep pace with Shopify stock's 5,200% gain. From 2017 to 2020, Shopify was the [best-performing stock](#) on the TSX, gaining 1,043%. From 2018 to 2021, Shopify was the second-best performer, gaining 846%. Because of Shopify's recent success, many investors believe the stock's best days are behind it. In this article, I'll discuss whether investors should consider Shopify stock a buy.

The growth of the e-commerce industry will drive Shopify

Shopify provides merchants of all sizes with a platform and all the tools necessary to operate online stores. The company's goal is to "make commerce better for everyone." To see that goal through, Shopify provides different pricing levels, which come with different features. First-time entrepreneurs will benefit from a low-cost option, allowing them to get up and running. Whereas large-cap companies, like **Netflix**, can take advantage of enterprise-grade solutions at a much higher cost. Today, more than 1.1 million businesses rely on Shopify's platform.

As e-commerce continues to increase in global penetration, investors can expect businesses to keep investing in their online store offerings. In 2019, e-commerce accounted for about 4% of all retail sales in Canada. By April 2020, online sales represented more than 11% of all Canadian retail sales. Of course, this jump in online retail came as a result of the pandemic. However, it shows that the e-commerce industry does have legs for growth in Canada. In other parts of the world, e-commerce represents more than 30% of all retail sales.

Shopify by the numbers

Next Thursday, Shopify will report its Q3 earnings report. We're still rather early into earnings season, so there isn't much to go off right now. However, the company's most recent earnings report was spectacular.

Shopify reported that it had maintained the second-largest share of the American online retail market. This put it ahead of popular companies like **Walmart**, **eBay**, and **Apple**. Shopify also reported US\$1,119.4 million in quarterly sales. That represents a 57% increase, year over year. Finally, Shopify's monthly recurring revenue continued to increase. Since Q2 2016, it has seen its MRR grow at a CAGR of 46%.

Is Shopify a buy today?

There's no doubt that Shopify's growth has been sustained well into 2021. Its revenue has continued to skyrocket, year over year, and the company is posting revenues well over US\$1 billion per quarter. Shopify also managed to attract more traffic than **Amazon** over Q2. This marks the first time that Shopify stores have accounted for more visits than the world's largest e-commerce marketplace.

Despite those successes, Shopify stock hasn't shown much movement this year. Even after last quarter's stellar earnings report, investors were disappointed to see Shopify stock refuse to move. Year to date, Shopify stock has gained about 32%. This is greatly aided by a 12% rally over the past two weeks. By Shopify's standards, those returns are very low.

The company is now valued well over \$200 billion, so investors shouldn't expect the stock to double anytime soon. However, there is still a lot of growth potential. Shopify could be Canada's first \$1 trillion company if the e-commerce industry continues to grow over the next decade. [Shopify is a buy](#), in my opinion.

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