



Is Shopify (TSX:SHOP) a Strong Buy for the 2021 Holiday Season?

Description

The holiday season is fast approaching, and many companies usually experience brisk business from December 20 to January 3 of the following year. The TSX's largest publicly listed company, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), could be on fire in the homestretch. Should investors include the tech superstar in their [year-end buy lists](#)?

Milestone after milestone

Many Canadians have made a fortune on Shopify since its IPO. In the last three years, the tech stock's total return is 899.91% (114.99% CAGR). Last year, the \$226.96 billion e-commerce platform overtook **Royal Bank of Canada** as the most valuable company on Canada's primary stock exchange.

When the **TMX Group** launched the TSX30 List, its inaugural flagship program, in September 2019, Shopify ranked second to **Canopy Growth**. In the second edition in 2020, the tech stock captured the top spot. This year, it slid to second place behind **Aura Minerals**. The [technology sector](#) was TSX's top performer in 2020, and Shopify was the market mover.

The flywheel on full display

Shopify is more than an e-commerce platform in 2021. It has transformed into an essential internet infrastructure for e-commerce. Entrepreneurs worldwide ride on Shopify to grow their businesses and reach their full potentials. According to its president Harley Finkelstein, the cumulative gross merchant value (GMV) is now a whopping US\$400 billion.

In Q3 2021 (quarter ended September 30, 2021), revenue growth versus Q3 2020 was 46%. Amy Shapero, Shopify's CFO, said the strength of the company's flywheel was evident amid the normalized spending environment. Shapero added, "Our results show that Shopify is executing well, giving our merchants the tools they need to compete in differentiated ways in a growing number of markets."

Other financial highlights during the quarter were the 37% and 51% year-over-year growth,

respectively, in subscription solutions and merchant solutions revenues. Shopify's monthly recurring revenue (MRR) reached US\$98.8 million (+33%) compared to US\$74.4 million on September 30, 2020.

Several firsts

The company launched several firsts during the quarter, beginning with Shopify Markets. Entrepreneurs have an avenue for cross-border commerce. Through the product, merchants can enter new markets with ease to increase buyer trust and conversion. In short, merchants have a unified view of their entire business across borders.

Shopify Balance is a no-fee money management product for American merchants. It features fast access to cash, a card for spending online, on mobile, or in-store. There are rewards like cash back plus perks and discounts on daily spending.

Merchants with a TikTok for Business account can add or peddle their products in TikTok Shopping. A Shopify brick-and-mortar store opened in New York, and Shopify Shipping was launched in the U.K. for British merchants.

Outlook for Q4 2021

For Q4 2021, Shopify sees a more normalized pace relative to 2020. More merchants will join the platform, although at a lower rate than last year. Also, it doesn't expect GMV to surge like it did in 2020. However, management still expects the fourth quarter to contribute the largest share of the 2021 full-year revenue.

Investors can gauge from the assessment whether the tech stock is a [must-buy for the holiday season](#). But based on market analysts' forecast, the return potential in 12 months is a minuscule 1.5%. As of November 3, 2021, Shopify trades at \$1,851.40 per share. The year-to-date gain is 29% — not as red hot as you would expect.

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Date

2025/07/03

Date Created

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