



Shopify Stock Price: What to Expect in December

Description

Ever since **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) went public back in 2015, it has generated market-beating returns for investors. SHOP stock is up over 6,000% since its IPO and has gained close to 40% year to date, making it one of the top-performing stocks on the TSX.

When Shopify listed its shares on the TSX, it was valued at a market cap of less than \$4 billion. Now, the e-commerce giant is trading at [a market cap](#) of \$250 billion, making it Canada's largest company in terms of valuation. However past returns don't matter much for future investors. Let's see if Shopify will continue to outpace the broader markets in December and beyond or if the stock will lose momentum, as investors remain worried over its valuation.

How has Shopify stock performed in December over the years?

The holiday quarter remains extremely crucial for e-commerce companies, as they report a majority of sales in Q4. Historically, Shopify has disclosed the GMV (gross merchandise value) generated on its platform, which has been a key driver of its stock price in the month of December.

For example, Shopify store owners collectively derived US\$5.1 billion in sales between Black Friday and Cyber Monday last year. It indicated a year-over-year rise of 76% compared to US\$2.9 billion in sales in 2019. However, Shopify stock fell by 3% in December following this report. Let's take a look at Shopify stock's historical performance in the month of December:

- It rose by 19.4% in December 2019
- It rose by 18% in December 2018
- It rose by 23.6% in December 2017
- It rose by 14% in December 2016
- It fell by 8.7% in December 2015

We can see that more often than not, SHOP stock has derived positive returns for investors in the month of December. However, due to supply chain disruptions at the global level, there is a good chance that Shopify might underwhelm Wall Street this holiday season, driving its stock lower in the

process.

If Shopify posts negative returns in the next month, it might provide investors with a buying opportunity, given the company's enticing growth prospects.

What's next for SHOP stock?

Similar to most other e-commerce companies, the ongoing pandemic acted as a tailwind for Shopify. The company's sales rose by 86% year over year in 2020 to US\$2.92 billion. In the first half of 2021, Shopify warned investors of decelerating revenue growth this year. However, analysts forecast company sales to almost double in 2021 to US\$5.8 billion in 2021, showcasing Shopify's ability to gain traction in good times and bad.

Shopify has estimated its [total addressable market](#) at US\$153 billion and is currently the second-largest e-commerce platform in the United States. It's quite evident the company has enough room to increase top line in the upcoming decade, making SHOP one of the top stocks to invest in right now.

Alternatively, Shopify stock is valued at a forward price-to-2022 sales multiple of 26 and a price-to-earnings multiple of 178, which is extremely steep, making it extremely vulnerable in a downturn.

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