



This Canadian Company Could Double in Value in 2022

Description

I'm a real believer that **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has a chance to double in value in 2022. Of course, there are a couple caveats that could prevent this from happening. However, if everything lines up, I don't think it's an outlandish thing to imagine. Shopify is continuing to show its ability to grow, and the secular trends supporting the company remain strong worldwide. In this article, I'll discuss why I believe Shopify could double in value in 2022.

Can Shopify double in value in 2022?

The main reason why many investors have a hard time believing Shopify could still double in value next year is that it already has a very large market cap. Valued at about \$220 billion, Shopify is the largest company in Canada. It's also known that small-cap stocks tend to grow at a faster rate due to the law of large numbers.

However, it's not unheard of for companies much larger than Shopify to double within a year either. Look at **Apple's** rise to a US\$2 trillion company. As long as the trends supporting the company's growth remain strong, then it's very possible.

On that note, it's important to remember that ecommerce is continuing to increase in penetration. This isn't only true in Canada but across the world. Shopify proved this last month over the Black Friday–Cyber Monday weekend. Many investors thought that it would have a hard time beating sales numbers from the previous year. However, Shopify stores [recorded US\\$6.3 billion in sales](#) over that weekend in 2021, representing a 23% year-over-year increase.

One reason for this increase in sales is that online shoppers are frequenting Shopify stores more often. It was found that Shopify even managed to surpass **Amazon** in terms of monthly customer traffic for the first time in Q2 2021. There are two possible reasons for this increase in traffic on Shopify stores. First, consumers may be getting more accustomed to shopping online, after having endured a pandemic for nearly two years. Second, Shopify is continuing to grow its enterprise partnership network (e.g., **Spotify**) and attract massive new customers (e.g., **Netflix**).

What could prevent this from happening?

As mentioned previously, there are two very real reasons why Shopify may not see a doubling in value next year. The first is the uncertainty regarding interest rates. It's inevitable that interest rates will rise. But we don't really know when that will happen. When it does, it could be more difficult for growth stocks to borrow money and grow. One positive about Shopify's case is that the company has managed to become very profitable over the past 12 months. This means that it may not need to rely on external cash reserves for growth from here on out.

The second risk is the Omicron variant. We're seeing COVID-19 cases skyrocket once again, and it's already starting to cause many businesses and events to shut down around Canada. If investors feel like the pandemic could have negative effects on the economy, it could be very difficult for Shopify and other growth stocks to see much positivity in the short term.

Foolish takeaway

Shopify is my [top growth stock for 2022](#), and I could see it double in value in 2022. However, to do that, it'll have to overcome a couple caveats — namely, the uncertainty surrounding interest rates and the COVID-19 pandemic. However, increasing e-commerce penetration and Shopify's continued growth within the industry seem very promising moving into the new year.

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