



## Shopify vs. Sea Limited: Which E-Commerce Stock Is a Better Buy Right Now?

### Description

Investors looking to generate market-beating gains over the long term could consider buying e-commerce stocks such as **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Sea Limited** ([NYSE:SE](#)). The two companies are poised for stellar growth given the global retail e-commerce market is forecasted to touch US\$7.4 trillion in 2025, up from US\$4.9 trillion in 2021.

The ongoing stock market sell-off allows investors an opportunity to buy a quality [growth stock](#) at a lower valuation. Let's see which e-commerce stock between Shopify and Sea Limited should be part of your shopping list right now.

### The bull case for Shopify

Shopify is one of Canada's largest companies in terms of [market cap](#). But it's also trading 50% below all-time highs. Despite the pullback, SHOP stock has returned over 3,000% to investors since its IPO in mid-2015.

Shopify enables merchants to establish a digital presence and provides them with capabilities to grow online sales at a robust pace. The company's expanding suite of products and services allowed it to double its gross merchandise volume to US\$400 billion in the last 16 months.

In its most recent quarter, Shopify increased sales by 46% year over year to US\$1.12 billion. Its subscription solutions revenue grew by 37% to US\$336.2 million due to the expansion of its merchant base. Comparatively, merchants solutions revenue was up 51% at US\$787.5 million due to the growth in GMV. Further, Shopify's monthly recurring revenue stood at US\$98.8 million in Q3 of 2021 and was up 33% year over year.

Wall Street forecasts [Shopify sales to touch](#) US\$7.7 billion in 2022 valuing the stock at a forward price-to-sales multiple of 13, which is quite steep. But analysts also expect SHOP stock to rise by 156% in the next 12 months.

## The bull case for Sea Limited

Sea Limited stock went public in Q4 of 2017 and has gained close to 800% in less than five years. Right now, it's down 60% from all-time highs and valued at a market cap of US\$80.9 billion. The company has three business segments that include Garena (game developer), Shopee (an e-commerce marketplace), and SeaMoney (digital payments).

While Sea Limited is still unprofitable, its [Garena business generated](#) US\$715 million in EBITDA, allowing the business to report a positive free cash flow this year. Garena's Free Fire mobile game currently has 729 million monthly active users which is up 27% year over year. Its paying users increased by 43% to 93 million in Q3 of 2021 as well.

Sea Limited is a leading e-commerce platform in Southeast Asia and has expanded into other markets including Europe, India, and Latin America.

Sea Limited stock is also valued at a cheaper price-to-sales multiple than Shopify. It reported sales of US\$826.7 million in 2018 and US\$4.37 billion in 2020. Analysts expect sales to touch US\$9.5 billion in 2021 and rise by 47.8% to US\$14.1 billion in 2022. So, the stock is valued at a price to 2022 sales multiple of less than six right now.

As mentioned earlier, the company is unprofitable but is forecast to narrow loss per share to US\$3.09 in 2021 to US\$2.6 per share in 2022. Analysts have a 12-month average price target of US\$336 for SE stock, which is 130% above its current trading price.

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2. TSX:SHOP (Shopify Inc.)

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