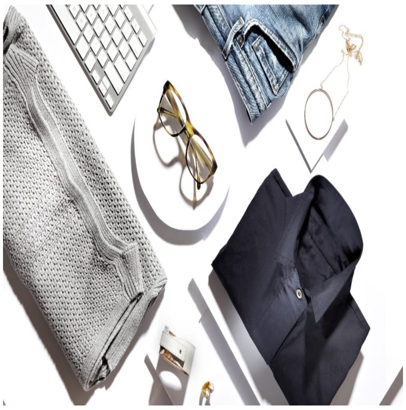

# 3 Reasons Why Shopify Stock Remains a Top Bet for TSX Investors!

## Description

**Shopify** (TSX:SHOP)(NYSE:SHOP) stock declined by 16% after the company reported its fourth-quarter results last week. The stock has now plunged by 25% in the last five trading sessions, extending its year-to-date decline to 54%.



The pullback has meant that SHOP stock erased most of the gains derived since the start of COVID-19. However, it remains a top bet for investors with a long-term horizon, and here's why.

## Shopify has increased its e-commerce market share

According to data from e-Marketer, Shopify is now the second-largest e-commerce company in the U.S. with a share of 10.3% in 2021, up from 8.6% in 2020. **Walmart**, which is the third-largest player, increased its share by 0.8%, while **Amazon's** share fell by 2% in 2021.

The Canadian e-commerce giant is well on track to keep widening its moat in the e-commerce segment as it expects to invest US$1 billion through 2024 to expand its fulfillment services. Mind you, these investments will increase costs and negatively impact the company's bottom line this year. Analysts expect Shopify's adjusted earnings per share to decline by 25% in 2022, but earnings are also forecast to rise by 24% in 2023.

## Expansion into new geographies

Several small and medium-size enterprises have found it difficult over the years to expand into international markets due to issues ranging from language barriers to forex regulations. However, Shopify's international fulfillment service, called Shopify Markets, is in the midst of a massive upgrade and will enable merchants to enter international regions. The company also expanded its partnership with **Global-e Online** in 2021, which provides global e-commerce solutions.

The partnership with Global-e will help businesses in North America export their products to other geographic regions. Shopify also partnered with Chinese e-commerce heavyweight **JD.com** allowing its merchant base to sell products in the country.

## An expanding addressable market

In the last two years, Shopify more than doubled its gross merchandise volume which is the total value of goods sold on its platform. In Q4, Shopify's GMV stood at US$54 billion, which accounts for 10% of the e-commerce market in the United States. Shopify emphasized its total addressable market continues to expand and is now estimated at US$160 billion.

Further, Shopify has already onboarded around two million merchants and its merchant solution revenue touched US$1 billion for the first time ever in Q4. The company also forecast global e-commerce sales at US$4.2 trillion in 2020. This means its GMV accounts for less than 5% of the total market.

## The Foolish takeaway

While Shopify stock is down 62% from record highs, it's still trading at a market cap of US$79 billion. Analysts tracking the stock expect revenue to rise by 31% to US$7.71 billion in 2022 and by 33.5% to US$10.3 billion in 2023. Comparatively, its adjusted earnings per share are forecast to fall from US$8.18 in 2021 to US$7.59 in 2023.



So, SHOP stock is valued at a forward price to 2023 sales multiple of 7.7 and a price to earnings multiple of 82.5, which is really steep. The stock remains extremely vulnerable if market sentiment turns bearish. But as no one can time the market, every major dip should be viewed as a buying opportunity by investors.

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**Date**
2025/07/01
**Date Created**
2022/02/23
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