



3 Reasons Why Shopify Is a Stock to Buy

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) has been one of the most popular growth stocks on the **TSX** since its IPO. Over the past six years, Shopify stock has gone on a tremendous run. This performance was highlighted by its number one rank on the TSX 30 in 2020.

The TSX 30 is a list of the 30 best-performing stocks over a running three-year period. At the time that [the 2020 edition](#) of the TSX 30 was released, Shopify stock was noted as gaining 1,043%. To put that into perspective, the stocks that placed in second to fourth place had a *combined* gain of 1,200%. Those three stocks only managed to improve on Shopify's performance by 15% when added together.

Unfortunately, Shopify stock hasn't had an easy road since then. In the 2021 edition of the TSX 30, Shopify *only* ranked in second place. More notably, Shopify stock has fallen a significant amount since it hit its all-time high in November 2021. Today, it trades nearly 60% lower than where it was just a few months ago.

Despite these recent struggles, I believe Shopify is still a stock that investors should hold in their portfolios. At the end of last year, I went so far as to say that Shopify is [my top growth stock](#) for 2022. In this article, I'll discuss why Shopify is still a stock to buy today.

The e-commerce industry will continue to grow

At a global scale, e-commerce penetration remains rather low. However, it was previously estimated that the industry could grow at a CAGR of 14.7% from 2020 to 2027. Recently, it was reported that the e-commerce industry grew 14.2% in the United States alone in 2021. This suggests that those earlier forecasts regarding this industry's growth could be spot on.

Shopify has already managed to attract customers from around the world. This means that it should be able to take advantage of the growth in this area, regardless of what region that growth occurs in. Shopify's user-friendly platform has made it very popular with everyone from first-time entrepreneurs to large-cap companies.

Shopify possesses many characteristics of a great growth stock

In addition to Shopify being well positioned for growth in the future, the company possesses many characteristics of a great growth stock. For starters, its revenue continues to grow at an impressive rate. Shopify's business model largely relies on a recurring payment structure. At its latest earnings presentation, the company reported that its monthly recurring revenue has continued to increase. From Q4 2016 to Q4 2021, Shopify's monthly recurring revenue has increased at a CAGR of 41%.

Shopify is also a founder-led company. Its CEO, Tobi Lütke wrote the very first line of code in what would later become Shopify's platform. Lütke also holds a very large ownership stake in the company. Listed as Shopify's largest shareholder, its CEO holds an ownership stake of 6.27%. This suggests that Lütke is willing to be rewarded according to Shopify's performance.

Wall Street continues to attract new investors

Investors shouldn't make financial decisions based on who owns the stock. However, it's important to note how Wall Street feels about certain companies, simply because negative sentiments towards a company could make it difficult for a stock to perform in the short to medium term. Analysts at **Wells Fargo** recently noted Shopify's potential for growth. As a result, the large American bank began coverage on Shopify with an "overweight" rating. This suggests that analysts at Wells Fargo believe that Shopify can outperform the market at this point in time.

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