



1 Question to Answer Before You Buy Shopify

Description

For most of its time on the public markets, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock has been a major winner. In the 2020 edition of the TSX30, Shopify placed as the highest-ranking stock for that three-year period. In fact, its performance was so impressive that Shopify's total return over that period was nearly equal to the combined performance of the next three stocks!

However, since 2021, Shopify stock has struggled immensely. Today, the stock trades at levels last seen in 2020. In addition, Shopify is no longer the largest stock in Canada by market cap. As of this writing, Shopify is only the 15th-largest company in Canada. With the stock still trading nearly 80% from its all-time highs, investors are wondering if this stock is still [worth a buy](#). In order to determine that for yourself, ask this one question: "Am I willing to wait long enough for this stock to recover?"

The state of the e-commerce industry

As a proportion of total retail sales, e-commerce varies quite a bit depending on what region you're looking at. By mid-2021, e-commerce sales represented about 13% of all retail sales in the United States. However, in the United Kingdom, online sales accounted for nearly a third of all retail sales. It's projected that the industry could grow up to 50% over the next four years.

As the e-commerce industry continues to grow, the companies that help enable that shift could grow alongside it. Shopify is in a unique position because it allows retailers of all sizes to operate online stores. That includes everyone from the first-time entrepreneur to large-cap enterprises like **Netflix**.

Why Shopify stock may be worth waiting for

With the potential growth of the e-commerce industry in mind, why is Shopify a stock worth waiting for? In my opinion, it's because of Shopify's leadership position within the industry. It's very rare for a company to establish such a dominant presence around the world. Shopify is very well known around North America, but this isn't even its most important region. Shopify has many merchants in Asia, which speaks to its ability to attract customers around the world.

In addition, Shopify's business model is very attractive. It relies on recurring payments, which provides the company with a very predictable and stable source of revenue. Because its platform is *sticky*, merchants are often very hesitant to cut Shopify's services or switch to a different online retail provider. In its [latest earnings presentation](#), Shopify reported that each year's cohort has managed to increase sales in the following year.

Shopify also continues to be led by its founder-CEO Tobi Lütke. Historically, founder-led companies have managed to outperform companies led by non-founders. Lütke also holds a large ownership stake in the company, which suggests that he's willing to be rewarded according to Shopify's performance. It also indicates that the company's management team's interests are aligned with the shareholders.

Foolish takeaway

Shopify stock has certainly struggled over the past year. However, the e-commerce industry continues to grow. Shopify is well positioned to succeed in the future, as it holds onto a leadership position in this important and emerging industry. If you're interested in buying shares of Shopify, ask yourself whether you're willing to wait and see its growth story play out.

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Author

jedlloren

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