



This Stock has Delivered a Gain of 200% Over 5 Years, Can You Still Buy it?

Description

Shares of Canada's largest technology company, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) have gained close to 220% in the last five years, valuing it at \$47.4 billion by [market cap](#). In this period, the **TSX Composite Index** and the **S&P 500 Index** have returned 56% and 41%, respectively, trailing the e-commerce stock by a wide margin.

But if you take a closer look, you will see that SHOP stock is also down a massive 82% from all-time highs, burning investor wealth in the first nine months of 2022. As past returns don't matter much to current investors, let's see if Shopify can triple your investment again in the next five years.

Shopify stock price might remain volatile in 2023

Shopify was among the top-performing stocks on the TSX until the sell-off decimated the valuations of [growth](#) stocks in the last year. Shares of the [Canadian tech stock](#) went public at a split-adjusted price of \$1.7 back in June 2015. In the next six and a half years, Shopify returned a staggering 10,000% to investors. So, an investment of \$500 in Shopify's IPO would have been worth over \$50,000 by the end of 2021. At its peak valuation, Shopify was also the largest company trading on the TSX.

Shopify provides a suite of tools and products that enable businesses to create an online presence. The ongoing pandemic acted as a tailwind for Shopify and several e-commerce peers, allowing it to increase sales from US\$1 billion in 2018 to US\$4.6 billion in 2021, indicating a compound annual growth rate (CAGR) of 63%.

But the reopening of economies coupled with lower consumer spending amid an inflationary environment has weighed heavily on Shopify's top-line growth and profit margins. Analysts now expect sales to rise by 27% year-over-year in 2022 and by 33% in 2023.

In addition to a deceleration in revenue growth, Shopify continues to invest in building its fulfillment network by increasing warehouse space and deploying a robust warehouse management system. The ongoing upgrade has already allowed the company to increase the delivery rate (two days or less) to 70% from 2%, improving the experience of its merchant base in the process.

But, these expansions have come at a cost. In the first two quarters of 2022, Shopify's operating expenses increased by more than 70% yearly. Analysts now expect Shopify to report an adjusted loss of \$0.16 per share in 2022, compared to earnings of \$0.84 per share in 2021.

Is Shopify stock a buy right now?

A research report from BuiltWith indicated that Shopify enjoys a 29% share of e-commerce websites in the United States. It also has a 19% market share in the e-commerce segment, as it has onboarded 2.6 million merchants to date.

Shopify is part of a rapidly expanding market as more than 90% of sales might shift online in the next two decades, up from 14% in 2021, making it a top long-term bet right now.

SHOP stock is trading at 6.5 times forward sales which might seem high. But it's the company's lowest price to forward sales multiple as a publicly listed company. Analysts remain bullish on Shopify stock and its currently trading at a discount of over 180% versus analyst price target estimates. So, there's a good chance that Shopify will replicate its 200% gain in the next five years.

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