



Shopify Inc. Hits a New High: Time to Buy?

Description

Shopify Inc. ([TSX:SHOP](#))([NYSE:SHOP](#)) just hit a new all-time high, and investors are wondering if it is too late to start a position in this stock.

Let's take a look at Canada's new tech darling to see if it deserves to be in your portfolio.

The company

Shopify offers cloud-based, multi-channel retail solutions targeted at businesses that range from the dude selling T-shirts online out of his basement, to medium-sized companies looking to launch a fully functional e-commerce store.

The solutions are scalable, and merchants pay a monthly subscription based on the level of service they need.

Multi-platform capabilities enable retailers to reach their customers wherever they tend to hang out, whether it be on social media, the website, mobile apps, or even at brick-and-mortar locations.

In addition, Shopify has an extensive resource base of tips and case studies for new online retail entrepreneurs to help them succeed with their venture.

Growth

Shopify reported strong numbers for Q1 2017. Revenue came in at \$127.4 million, or 75% higher than the same period last year.

Subscription Solutions revenue jumped 60% to \$62.1 million, as businesses continue to sign up for the company's services. Merchant Solutions revenue rose 92% to \$65.3 million, supported by an expansion of gross merchandise volume.

Growth on this scale doesn't come cheap, and the company reported a Q1 net loss of \$13.6 million, or \$0.15 per share.

Shopify just raised US\$576 million through a public offering of Class A voting shares. Management will use the money to strengthen the balance sheet and provide flexibility to fund ongoing growth initiatives.

Should you buy?

Buying tech stocks that are on fire comes with risks, but waiting for a meaningful pullback can also result in missed opportunities.

The world of retail is rapidly changing, and Shopify is at the forefront of the evolution. Online shopping continues to grow, but it still represents a tiny part of the total retail picture. Regarding mobile retail, the segment is just in its infancy.

The potential for this company is enormous, and once a client signs up, it is unlikely the business owner will ever switch to a competitor. In addition, Shopify has several add-on products and services it can offer merchants to drive higher revenue from each account.

If you have a long-term investing strategy and are willing to ride out some inevitable volatility, it might be worthwhile to add a bit of Shopify to your portfolio, even as it hits new highs.

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2. Tech Stocks

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Date

2025/08/23

Date Created

2017/06/08

Author

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