



Shopify Inc.: Should You Buy the Dip?

Description

Shopify Inc. ([TSX:SHOP](#))([NYSE:SHOP](#)) is down more than 12% in recent days, and investors who have been sitting on the sidelines are wondering if this is a good time to buy the stock.

Let's take a look at one of Canada's top tech stars to see if it should be in your portfolio.

What is Shopify?

The company is a provider of cloud-based online shopping solutions for small- and medium-sized companies.

The multi-channel capabilities help retailers sell to their customers through a variety of platforms, including websites, mobile apps, social media platforms, brick-and-mortar stores, and pop-up retail events.

Shopify's solutions are easy to set up and are scalable, allowing merchants to expand as needed.

In short, it's a plug-and-play online store for anyone who wants to get into the retail game.

Why is this a big deal?

In the past, it was very expensive to create an online store, and only businesses with significant funds could set up their own online shops.

Shopify's solutions enable the little guy to compete on an equal playing field with major retailers and get access to buyers around the globe.

Growth

Shopify continues to attract waves of new merchants. Year-over-year Q1 revenue rose 75% to \$127.4 million, supported by a 60% jump in Subscription Solutions revenue and a 92% increase in Merchant Solutions revenue.

The company is ramping up staff and offerings at a rapid pace to meet demand. Growing this quickly is expensive, which is why Shopify reported a Q1 net loss of \$13.6 million.

In order to help fund its growth program, Shopify recently raised US\$576 million in a public offering of Class A subordinate voting shares.

Should you buy?

Shopify is a market leader in a rapidly expanding segment.

Online shopping still only represents a small piece of the total retail pie, and the mobile part is just in its infancy.

That said, hot tech stocks can be volatile, and when investors decide to book profits after a big run, these names can fall significantly in a very short period of time, as we have seen in recent days.

Shopify is still sporting a 100% gain year-to-date, so I wouldn't back up the truck today, but it might be worthwhile to start a small position in this stock on further weakness.

Over the long term, investors should do well with this name.

CATEGORY

1. Investing
2. Tech Stocks

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