



Will an eBay Inc. Partnership Take Shopify Inc. Into the Stratosphere?

Description

In the most recent development in the growth story that is **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)), the e-commerce technology company has announced a partnership with **eBay Inc.** ([NASDAQ:EBAY](#)) in which Shopify merchants will be able to sell their goods to eBay customers — a move that has apparently not helped boost the share price of Shopify at all. Shares slid nearly 4% last week following the news.

On one hand, the market's reaction to this agreement may seem shocking considering the sentiment of investors following similar deals in the past, such as the all-important Shopify-**Amazon.com, Inc.** deal, which propelled shares into the stratosphere. On the other hand, said price appreciation seems to have gotten out of control, and the negative momentum that Shopify's shares have experienced of late can likely be attributed to investors taking money off the table.

While the growth runway for Shopify remains extremely long, and some tech investors are already calling Shopify the next Amazon (let's not get too far ahead of ourselves, shall we?), a coherent argument can be made that despite the extremely high valuation supported by a lack of earnings, other famed high-flying tech stocks have simply appreciated more and faster over time. In other words, the greater Fool thesis is alive and well in today's technology market, and an investor need not worry about the intrinsic value of a company's shares, but rather, how much one can expect to receive for those shares from another investor who will want them more?

The other, more conservative, side of the argument centres on the idea that Shopify's growth projections have gotten out of control, and a sustained dip (or at least leveling off) of Shopify's bloated share price is warranted over the near to medium term.

Bottom line

With many early investors looking to realize some of the impressive growth that Shopify shares have seen of late, it is understandable that Shopify's stock price has traded somewhat sideways of late. This most recent announcement, however, is likely to add more fuel to the fire for investors considering Shopify as a long-term play.

Shopify's growth prospects are second to none in today's market, but at some point, investors are going to demand to see profitability and will want to see Shopify grow without additional equity raises. Such a timeline is likely a few years out, and it may make sense for conservative investors to wait until bottom-line profit numbers come in before jumping in to this name, given Shopify's status as a glamour stock at the moment.

Stay Foolish, my friends.

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