



Shopify Inc. Stock Rallies Again

Description

Shopify Inc. ([TSX:SHOP](#))([NYSE:SHOP](#)) stock made a record high today and has appreciated ~10% on the Toronto Stock Exchange as of this writing. The company continues to grow rapidly and widen its economic moat as it adds more merchants.

Shopify is growing rapidly around the world. In the second quarter, year over year, merchant growth was 56% in North America, 82% in Asia, 168% in South America, and 70% in Africa.

Shopify helps merchants sell their products by providing a simple, unified multi-channel commerce platform. It now powers more than 500,000 businesses in 175 countries — among them are big names like **Tesla** and **Nestle**.



Other indications of growth

Other than growing its number of merchants, Shopify has also been cultivating a third-party partner ecosystem comprised of creative agencies, app developers, theme designers, digital marketers, photographers, SEO specialists, and brand strategists.

Together, they generated roughly US\$430 million of revenue last year. The more they participate, the

wider Shopify's moat becomes with the extended functionalities.

In the first half of this year, the Shopify platform processed gross merchandise volume (GMV) of US\$10.7 billion, which was an increase of 77% from the same period in the previous year.

The GMV is a key performance indicator that the company defines as "the total dollar value of orders processed directly through its platform in the period, net of refunds, and inclusive of shipping and handling, duty and value-added taxes." So, the bigger this number is, the more successful its merchants are, and the stickier Shopify's platform becomes.

Should you jump on the e-commerce train?

E-Commerce is a mega-trend. And Shopify is at the right place at the right time. In the last 12 months, 131 million people have bought from Shopify stores.

However, the stock is not for the faint-hearted. It's more volatile than the average stock and can appreciate or fall something like 10% in a day, which is more than what some investors can stomach.

Moreover, Shopify still hasn't turned a profit, despite its tremendous sales growth. In the second quarter, it had a diluted net loss of \$0.15 per share, but, excluding one-time items, Shopify only posted a net loss of a penny per share, which was an earnings beat, and the stock rallied as a result. Additionally, some analysts estimate that Shopify will turn a profit by the end of 2018.

Investor takeaway

It's not easy to determine what a good entry point for Shopify is because of its rapid growth and the fact that it hasn't turned a profit yet.

If you believe in Shopify's vital role in e-commerce, you can consider averaging in to a position over time; buy its shares every month or every few months for long-term investment.

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kayng

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