The Growth Path to $250 Per Share in 2017 for Shopify Inc.

Description

Investors who believed at the beginning of the year that Canada-based e-commerce giant **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP) would more than double by August may have been laughed out of most rooms by investors and analysts. The reality is that a 125% appreciation in any company's stock price over an eight-month period is some serious growth, and investors who'd bought Shopify stock below $60 at the start of 2017 may reasonably be wanting to take some profit off the table and find the "next Shopify." There are others, however, looking to double down on this investment, expecting the growth trend to continue.

Extrapolating out the impressive growth trajectory for Shopify, a $250 share price at the current pace of growth would require approximately the rest of the year to obtain. In order for such an event to take place, a number of catalysts will need to continue to drive the company's share price higher. Here's the game plan for how Shopify's share price could indeed top $250 by the end of the year.

Growth rates continue to pick up speed; profitability must follow

Shopify's year-over-year quarterly growth rates make most companies' eyes water. In the most recent quarter, Shopify posted growth rates on revenue of 75% year over year, with the company's net loss narrowing toward profitability — profitability which is likely to be expected within the next two quarters in order for a higher valuation multiple to be assigned to this very richly valued company.

Management maintains a zero-debt balance sheet

With multiple equity raises of late diluting current shareholders, existing shareholders will begin to demand that the improved top- and bottom-line growth numbers come in without the company taking on a debt position, as this has been one of the major selling points for tech investors in assessing Shopify compared to its competitors.

Beat earnings again

Any time a company goes public and manages to beat earnings *every single time*, investors begin to expect the earnings beats to continue. Not only do expectations of earnings beats proliferate over time, the margin by which Shopify beats earnings (it is already assumed they blow earnings estimates out of the water) will be analyzed closely as well. With nine straight earnings beats, the company had better come through and deliver earnings beats for a 10th and 11th time. Anything close to a miss is likely to be interpreted very poorly by the market.

Bottom line

An investor much smarter than me once said that Wall Street resembles a treadmill of sorts for most publicly traded companies. The faster the company runs, the higher the speed investors and the general market require in order to be impressed. After ratcheting up the tempo a record nine times in a row, Shopify will proverbially need to begin to sprint to attract additional shareholder interest to a stock with a valuation in the stratosphere.

While it remains unlikely that Shopify's share price will fall to earth any time soon, a $250 share price at this point remains far less likely than a $100 share price, given the targets the company will need to hit to make this happen.

Stay Foolish, my friends.

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