



## Could This Be a Better Tech Stock Than Shopify Inc. for Growth?

### Description

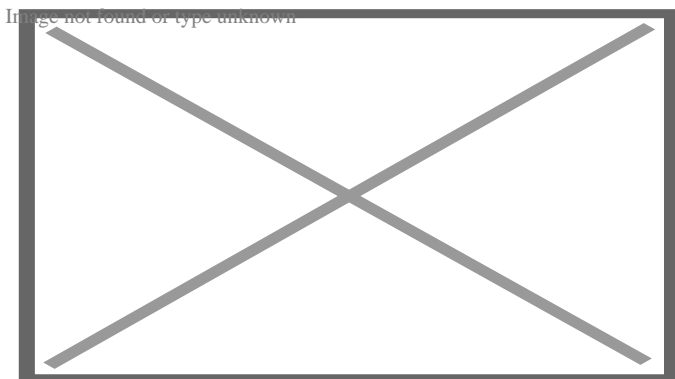
**Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) has been growing rapidly. And this has been reflected in its share price. Year to date, the stock has appreciated more than 150%.

In the latest quarter, Shopify saw revenue growth of 75% compared to the same quarter in the previous year. Similarly, it saw gross profit growth of nearly 83%.

Shopify is the leading cloud-based, multi-channel commerce platform, which targets small- and medium-sized businesses. These companies use Shopify's software to run their businesses across all of their sales channels, including web and mobile storefronts, physical retail locations, social media storefronts, and marketplaces.

That said, Shopify is still losing money. It's partly because it's reinvesting into the business, including in sales and marketing to get as many merchants to use its platform as possible, and in research and development to innovate.

In the last quarter, Shopify spent 36% and 21.5%, respectively, of its revenue in sales and marketing and research and development.



### Why this stock may be a better buy than Shopify for growth

**Baozun Inc.** ([NASDAQ:BZUN](#)) provides end-to-end e-commerce solutions for brands and retailers in China.

It offers services such as website design, development and hosting, IT infrastructure, customer service, warehousing and logistics services, and digital marketing.

Baozun has been growing at a fast pace. Year to date, the stock has appreciated nearly 200%. In the last quarter, the company saw revenue growth of nearly 27%. Most importantly, Baozun is profitable and is expected to grow its earnings and cash flow on a per-share basis at a high rate.

The analyst consensus from **Thomson Reuters** thinks Baozun will grow its earnings per share at a compound annual growth rate of 68.9% for the next three to five years. Analysts think the stock will grow its operating cash flow by at least 37% per year for the next few years.

Baozun trades at correspondingly high multiples. At about US\$36 per share, it trades at a 2017 price-to-earnings ratio of about 55 and a 2017 price-to-operating-cash flow ratio of about 30.

### Investor takeaway

Shopify and Baozun's extraordinary growth can persist as the e-commerce trend continues. However, there are high expectations from the market. If the companies show any sign of slowed growth, the stocks will experience a large dip.

In the case of Baozun, there's also currency risk as the company earns and reports in the renminbi. Shopify should have more runway for growth as it targets a global customer base. In early August, Shopify powered more than 500,000 businesses in 175 countries.

Investors interested in outstanding growth should average in to a position in either or both companies over time and especially on dips.

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1. Investing
2. Tech Stocks

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