



Still Bullish on Shopify Inc.? Here's When You Should Be Buying the Dip

Description

Shopify Inc. ([TSX:SHOP](#))([NYSE:SHOP](#)) is experiencing pressure from the infamous short seller Andrew Left of Citron Research, who helped bring down **Valeant Pharmaceuticals Intl Inc.** a few years ago. For many investors, it can be alarming to have such a high-profile name attacking a company whose stock you own, but there is a way to profit over the long term from such a fiasco.

I have a rule of thumb that I like to follow when the drama picks up: if there are any suspicions of fraudulent activities going on at a company, I sell. If it's later determined that no fraud actually took place, then I'll buy again.

It's a conservative strategy, but it's one that could get you out of a heap of trouble should allegations of shady activities actually exist, and a lot of the time, where there's smoke, there's usually fire. That's not always the case; however, betting against a high-profile short seller like Mr. Left is seldom a good idea, at least for the short term.

I'm not a fan of Shopify shares. I've noted many times in previous pieces that the valuation doesn't make sense for me as a value-conscious investor, and I didn't think the company's subscription base was sustainable over the long term. Mr. Left's bear thesis simply added to my bear case; however, I'm going to go back to a bull's viewpoint, since many investors still strongly disagree with Mr. Left's stance and think that the dip is a long-term buying opportunity.

If you've watched Mr. Left's short video and you're not convinced, then you're probably waiting for an opportunity to do some buying. But here's why I think you should be patient and wait until the dust settles before you start picking up shares.

Mr. Left has said that he'll be back with even more dirt, and that's bad news for Shopify stock. The first short video could just be the tip of the iceberg, for all we know, and if that's the case, a massive plunge could be on the horizon.

Mr. Left said on October 11, 2017, that he would "most likely" publish a follow-up to his initial short report that triggered Shopify's ~23% peak-to-trough sell-off. Mr. Left is doing more research, and it's pretty much a given that shares are going to continue to pull back should a follow-up report be

released, regardless of how it complements his original report.

Bottom line

Shopify has returned a great deal to investors, and eventually, it's possible that this debacle could be in the rear-view mirror; however, I wouldn't be so quick to buy shares right now if I were a bull.

While you may miss out on a rally in the coming weeks and months, I think you could avoid substantial downside should Mr. Left deliver more negative comments or reports on the company. He's a man on a mission, and I think he's far from being finished with his attack on Shopify.

So when should you start buying? I'd personally recommend waiting until Mr. Left's follow-up, should it actually happen. The sentiment is quite bleak right now, so I'd wait for investors to calm down before adding positions at this point.

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