



Shopify Inc.'s Share Price Is Soaring: Time to Buy?

Description

Are you looking for a growth stock that can give you potentially very high returns? In my opinion, **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) is a good stock to be included in a growth investor's portfolio.

Shopify is an electronic platform where individuals and enterprises can build their own online shop. Shopify makes it easy for small businesses to get online, allowing them to sell products through the internet without having to be experts.

Shopify's stock has had a strong return over the past year, and it is currently soaring.

A rebound in price after a short plunge

News that were released last Thursday seem to be the cause for the surge in Shopify's price since that day. Indeed, the stock is up by more than 5% since last Thursday. The share price is getting closer to its 52-week high of \$151.88, which was reached in September. Shares have gained more than 125% over one year.

Shopify's shares plunged earlier this month after Citron Research's short seller Andrew Left alleged that the company is running an overvalued get-rich-quick scheme.

Shopify's CEO Tobias Lutke said he will push back against the short seller's allegations during the release of the company's financial results, which will take place on October 31.

It looks like the drop in Shopify's share price was caused by fear and panic. Nothing tells us that the company has committed any kind of fraud for the moment. We will have to wait on October 31 when third-quarter results are released to know more about the situation and its subsequent effect on the share price.

Meanwhile, good news was released last Thursday, which seemed to give back confidence to investors.

Shopify Plus is growing

Shopify announced that it plans to hire up to 500 new workers in Waterloo, Ontario. This increase in jobs would triple its workforce there over the next couple of years.

The technology company is set to open a new building in Waterloo by the first quarter of next year to accommodate the workforce growth. The new 300-500 full-time positions will focus on growing its Shopify Plus platform, which is designed for the largest and most complex retailers.

Shopify launched its Shopify Plus platform two-and-a-half years ago. About 2,500 customers are now using this platform made for large retailers; it's a small subset of the company's 500,000 stores, but this segment is growing quickly. Some very large companies are on Shopify Plus, approaching a billion dollars in revenue.

Loren Padelford, general manager and vice president of Shopify Plus, said that the company plans to start hiring the new employees immediately and moving them into the new building early in 2018. He is not afraid of **Amazon**, saying he would be happy to take all its employees.

Waterloo mayor Dave Jaworski is very pleased with the expansion, which will be a positive contributor to the city's economy.

Bottom line

Shopify is growing quickly, with second-quarter revenues of US\$151.7 million — a 75% increase compared to the same quarter in 2016. This beat analysts' estimates of \$143.6 million. The company also reported a \$15.9 million operating loss that came in below the company's guidance of \$18-20 million.

While those results are good, Shopify looks overvalued with a P/S of 18.2, which is more than three times the industry's average of 5.3. With the uncertainty surrounding Andrew Left's allegations, I don't think it's prudent to buy a lot of shares right now. But if you have a strong appetite for risk and growth, I think Shopify is the perfect stock for you.

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