



Shopify Inc.: Should You Buy the December Dip?

Description

Shares of **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) fell 6.27% on December 4, as the company continues to see gains wiped out in the wake of an impressive Cyber Monday and Black Friday for online retailers. Shopify stock has climbed 112% in 2017, but it has now declined 7% in a six-month period dating back to June 2.

In a November article, in which I [compared](#) the growth prospects of Shopify and **Canopy Growth Corp.**, I talked about the comments from short-seller Andrew Left. Left's investment research publication Citron Research targeted Shopify in early October and accused it of pushing "get-rich-quick" schemes on its platform. Shopify stock subsequently fell below the \$120 mark in October, and though it has rebounded, it has seemingly entered a period of volatility.

Now its stock is once again hovering around the \$120 mark and threatens to enter 2018 on a downtrend. In an early October article, I'd [discussed](#) the fall of Toys "R" Us and why it was yet another reminder of how the rise of e-commerce had hurt traditional retailers. Shopify has been a beneficiary of this trend, but is it a case of too much, too fast for a company that offers a platform for large and small online business alike?

A survey by the New York-based firm Deloitte projected that online shopping would surpass in-store sales in the 2017 shopping season, with U.S. respondents indicating that 51% of their gift budget would be spent online. A Canadian poll by Ebates.com showed that shoppers planned to spend 38% of their gift budget online.

Online performance for retailers on Black Friday and Cyber Monday appeared to vindicate these findings. In the U.S., Adobe Insights reported that there was \$1.4 billion in mobile online revenue on Black Friday for retailers and projected a \$5 billion total. Orders values were also up 3.2% for online purchasers.

Cyber Monday posted similarly impressive numbers, as it became the largest online shopping day in U.S. history. Mobile sales reached above \$2 billion over the course of the day, and total online transactions totaled \$6.6 billion. This represented a 16.8% increase year over year.

The news was especially good for Shopify over the course of the two monster sales days. Shopify saw its merchants make over \$1 billion in sales on both days in gross merchandise volume. At peak sales volumes, Shopify reported that its merchants generated \$1 million in sales in one minute.

On November 27, Shopify also launched the Arrive app, which allows consumers to track the status of their incoming packages. Users can keep track of packages from multiple retailers. This comes at a time when mobile sales are outpacing desktop purchases. Mobile online sales made up over 60% of online purchase on Black Friday and Cyber Monday.

Should you buy the December dips?

The substantial growth in e-commerce is a good reason to remain confident in the future of Shopify. Its third-quarter results also saw revenues jump 72% and gross profit increase 86% year over year. Shopify also reported that it had achieved adjusted operating profitability for the first time since it has been publicly listed.

Shopify still possesses a very high valuation after a year of triple-digit gains. Those who choose to buy for the long term may have to stomach volatility in the present. The stock appears poised to test new technical floors as 2017 winds to a close.

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2. Tech Stocks

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