4 Reasons Why Shopify Inc. Is a Great Buy Today

Description

Shopify Inc. (TSX:SHOP)(NYSE:SHOP) continues to struggle to find any momentum, as its share price has been very volatile the past few months. When the company received a scathing report alleging that its business was nothing more than a get-rich-quick scheme, that knocked the stock off its pedestal, and it has struggled to find its way back up.

Multiple times in the past few months, the share price has looked like it was making a recovery, only to see a sell-off eventually ensue. Despite the recent struggles, the company has seen its stock rise 130% in 2017, and there's plenty of reason why we could see more growth in 2018.

I'm going to outline four reasons why the stock is still a great buy.

Shopify has seen tremendous sales growth

In its most recent fiscal year, Shopify's sales grew by 90%, and the company was able to double its revenue in each of the last two years. Shopify continued its strong growth with sales rising 72% in Q3, and it's likely we'll see that trend continue in 2018, especially as the company's services are now integrated with **eBay Inc.**, which will help Shopify reach a broader user base.

Biased allegations should not sway investors

Although the report that was released from Citron Research was very negative about Shopify's business, investors need to consider the source; it came from a known short seller that likely had a financial interest in seeing the stock fail.

Ultimately, the company's business has been sound, and it has not been involved in any scandals relating to misleading information or anything else that would harm the stock's underlying value.

Growth prospects remain strong

If nothing has fundamentally changed about how Shopify does business, there's no reason to expect that its trajectory will change either. What makes Shopify's stock appealing is that it can be used easily by anyone that runs a business online, and a low price point helps facilitate that growth.

Valuation is more justifiable than other growth stocks

Shopify trades at more than 10 times its book value and might be a bit expensive for value investors. In addition, its bottom line has been in the red, and so a price-to-earnings multiple also isn't helpful in assessing the stock's value.

However, if we compare the company to other high-growth stocks, particularly in the cannabis industry, it suggests Shopify might not be that bad of a buy if we look at sales.

Shopify's price-to-sales ratio, at over 16, is certainly high, but that's nothing compared to **Aurora Cannabis Inc.** (TSX:ACB), which is valued at almost 100 times its sales, or **Aphria Inc.** (TSX:APH), which trades at a multiple of over 80 times its revenue.

Bottom line

Shopify is still the same high-growth company it was three months ago, and a stock that has come down in price should represent a good opportunity for investors to secure a good deal. I suspect that a strong Q4 will send the stock back on the ascent and put this negativity behind it.

Although Shopify might have some risks, it's a safer buy than other high-growth stocks.

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