



After a Wild Run in 2017, Will Shopify Inc. Shares Soar or Sink in 2018?

## Description

**Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) shares are closing in on an incredible year, soaring 128% at the time of this writing. The stock, however, had a weak last quarter when it shed nearly 11% in value, compelling investors to pause and ask: Can Shopify continue to rally in 2018 or will the stock fizzle out?

### Shopify is still a loss-making company, but...

Shopify's crazy run-up this year wasn't a fluke. The cloud-based e-commerce platform is growing at a torrid pace, adding thousands of customers and merchants every quarter.

During the nine months ended Sept. 30, 2017, Shopify's revenue jumped 74% year over year to \$451 million, and gross margin improved three percentage points to 57.5%. The problem is that Shopify is still a loss-making entity, and its net loss expanded during the nine-month period.

Losses aren't necessarily a bad thing, however, as Shopify is still [somewhere between](#) the start-up and growth stages of its lifecycle, when companies are focused on creating a market and establishing a customer base, which requires heavy investments into research and marketing. That was evident in Shopify's latest numbers: the company's sales and marketing expenses rose 75%, while research and development expenses nearly doubled during the nine-month period, adding to its losses.

The real question is this: what is Shopify doing with all that money? If 2017 is anything to go by, Shopify is on the right track.

### ...that's not a hindrance to growth

Shopify struck some big deals in 2017, which should better position it to ride the e-commerce wave. Some of Shopify's biggest growth initiatives this year included:

- Integration with **Amazon.com** ([NASDAQ:AMZN](#)), allowing Shopify merchants to tap customers on Amazon while maintaining an online presence on Shopify.
- A tie-up with **eBay**, allowing merchants to list and sell products on eBay from their Shopify accounts and gain access to eBay's 169 million buyer base.

- The launch of its own chip and swipe card reader supported by the world's leading payments processing companies, **Mastercard** and **Visa**.

Among these, a tie-in with Amazon was a huge step ahead. In fact, not many know that Amazon shut down its own online store called Webstore in 2015 and opted for Shopify's platform, instead, soon after.

### **What to expect from Shopify in 2018**

To give you another example of Shopify's growth, CEO Tobi Lutke claimed during the company's last earnings call that "every 90 seconds, an entrepreneur makes their first sale" on Shopify. In 2017, Shopify's merchant base crossed 500,000, growing more than five times since 2013. The latest news is that Shopify recorded sales worth more than US\$1 billion on its platform during the Black Friday and Cyber Monday weekends.

As of now, Shopify expects its fiscal 2017 revenue to be around \$657 million at the mid-point of its range, which should mean a whopping 69% jump from last year. That, along with narrowing adjusted operating losses, a swelling merchant base, and more partnerships and deals should continue to [propel Shopify shares higher](#) in 2018.

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