



At What Price Is Shopify Inc. a Good Buy?

Description

Shopify Inc. ([TSX:SHOP](#))([NYSE:SHOP](#)) saw its stock fluctuate a lot over the past year. For the first nine months of 2017, the company saw strong momentum that led to its share price nearly tripling.

However, in October, a report was released that called the company's business model a "get-rich-quick scheme," which led to the stock dropping from nearly \$150 to a little more than \$111.

Since then, the share price has struggled to find any momentum and has been unable to reach its previous peak. In the past month, the stock has dropped 6% in price, and investors may be asking one question:

Is the stock still a good buy?

Although the company may have been [harshly criticized](#), results speak louder than words, and Shopify's performance has been stellar. In its most recent quarter, the company's sales grew 72%, and in the last fiscal year its top line nearly doubled, and it has achieved similar growth in the previous two years as well.

If customers truly thought the company was a sham, the results would be evident from a lack of growth, and that hasn't been the case. Instead, Shopify has shown incredible growth, and with integration with both **Amazon.com, Inc.** and **eBay Inc.**, there is a lot of potential for the company to continue to grow.

There is nothing materially different about the company today from when it was hovering around \$150 back in October. I'd go so far as to say it's probably the best tech stock you can find on the TSX. However, with the stock fluctuating a lot in price lately, investors might be asking:

What's a good price to buy the stock at?

Shopify's stock finished the year trading a little more than \$127 and has been on the decline for the past few weeks. The share price has had very strong support at \$120, and investors would be very fortunate to buy it at that level. A buy at \$120 would mean that even if the stock recovers only up to the

\$140 mark, that would still produce a solid 17% return for investors.

Over the long term, Shopify presents a good growth opportunity and whether you buy at \$120 or \$125, you'll likely still get some strong returns. The company's fourth-quarter earnings are due in February, and another strong result could propel the share price well beyond \$150.

Why 2018 could be another strong year for the stock

In 2017, Shopify saw its share price rise 120%, and the year before that it rose nearly 60%. There's no reason to expect that the company will slow down anytime soon, and that is likely to result in yet another strong year for the stock.

If the share price accelerates even 50% in 2018, that would mean the stock would finish the year at over \$190. As long as its growth continues, there's no reason to think that it will disappoint investors.

The biggest negative for the company has been its [inability to turn a profit](#), despite a growing top line. If Shopify can find some cost efficiency and finally finish in the black, that will only accelerate the stock's growth.

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