



Shopify Inc. Finishes the Year With a Strong Q4: Why You Should Buy the Stock Now

Description

Shopify Inc. ([TSX:SHOP](#))([NYSE:SHOP](#)) released its fourth-quarter results on Thursday, which continued to show strong growth. Revenues of \$223 million were up more than 70% from a year ago, and the company also posted a smaller loss as well. Unfortunately, the strong results did not translate well into the share price, which was down for much of the day and ended Thursday barely being up from the previous close.

Why didn't the share price see a big boost?

There are three reasons why the stock may not have seen as big of an increase as investors may have expected after the positive results.

The first is that the stock already has been up more than 10% since it was announced that Shopify's e-commerce platform would be used for online cannabis sales in Ontario. While Ontario initially came out with one of the more [restrictive](#) pot policies among the provinces, it indicated that it would allow for cannabis to be purchased online. This is a huge win for Shopify, as it could stand to see big benefits as a result, and investors need to only look at the success that **Canopy Growth Corp.** and **Aurora Cannabis Inc.** have enjoyed as proof of that.

The second reason is that the growth may just not be as impressive as it once was. For the full year of 2017, sales of \$673 million were up an impressive 73% from 2016. However, in the prior year sales increased by 90% and were up by 95% in 2015. Investors may be concerned with the significant drop in growth from the past couple of years.

The third reason is that the financial results, outside of sales, just weren't that strong. Although the company posted a smaller loss than it did a year ago, it still saw its expenses continue to rise at an alarming rate. Operating expenses grew by 64%, and although the company had a smaller loss than a year ago, ultimately the operating loss only saw an improvement of \$3 million. However, profitability has not been enough to sway investors when it comes to tech and pot stocks, with both types of investments seeing lots of growth, despite an inability to stay in the black.

Why this could just be the start for Shopify

Last year, Shopify's stock was dragged down by a short seller, but with that firmly behind the company and another period of strong growth in the books, I still believe the share price is [headed for \\$200](#), which could be reached as early as this year. There is a lot of potential for the company, as its products can be used by any vendor that is looking to sell online, giving Shopify many possible opportunities for future growth.

Bottom line

Shopify's stock has soared more than 135% in the past year, and there's no reason to think it's peaked just yet. In the tech world, profits have proven to be an afterthought and a nice-to-have feature rather than a necessity. For that reason, investors shouldn't be too concerned with the company's inability to keep out of the red for now, especially as Shopify continues its incredible growth.

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