



## 3 Reasons Shopify Inc. Is a Great Buy at \$160

### Description

**Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) is yet again in recovery mode after seeing its share price fall after another critical report came out [criticizing its business model](#). Up until then, Shopify was doing very well and had broken above \$200 a share. However, since then it has seen a big drop in price and is now trading around \$160.

This is not the first time we've seen this happen, and even with the big drop last month, the share price is still up around 20% year to date.

Let's take a look at whether or not the stock is still a good buy today.

### Strong sales growth

In its [most recent quarter](#), Shopify's sales were up over 70% year over year, and in just two years its top line has more than tripled. Although the company's rate of growth is likely to decline as its raw numbers get higher, sales will only continue to climb.

### The company still has a lot of potential for even more growth

What's most appealing about Shopify's business model is that anyone selling something online, anywhere in the world, could be a potential customer. This gives the company a lot of room to grow and is why its business is very strong for the foreseeable future.

However, Shopify is not simply relying on its current products and services to grow sales, the company is investing a lot in itself and working to offer even more value for its customers. Research and development (R&D) is a good indicator of this, and since 2014, like its sales, Shopify's R&D costs have more than tripled and were more than 20% of its top line in 2017.

If Shopify were to slow down and simply rely on what it has achieved thus far, it could have easily turned a profit by now. It's that pursuit of innovation and staying ahead of competition that makes Shopify a great long-term buy and one of the best stocks on the TSX.

## The stock price has a lot of upside

Currently, Shopify trades at around 24 times its sales, and that's after a considerable decline in price over the past few months. If the company continues to grow sales at around 70%, then we could expect Shopify's revenue to reach over \$1.1 billion by the end of 2018.

If that happens, we could see Shopify's share price rise up to over \$250, assuming investors are still willing to pay 24 times its sales. Even if that multiple drops to 20 times sales, Shopify's stock would still be around \$210, which is about one-third higher than where it is today.

## Bottom line

Investors should ignore the drama and the bearish reports about Shopify. The financials show that the company is a good buy today, and although a lack of profit might be concerning to value investors, growth investors will understand why and see the bigger picture and what Shopify is trying to do.

The stock is a great buy today, and the drop in price is an opportunity to secure a good price for an investment that could net you strong returns in the years to come.

## CATEGORY

1. Investing
2. Tech Stocks

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## Date

2025/08/28

## Date Created

2018/04/29

## Author

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