



Is Shopify Inc. Headed for \$150 or \$200?

Description

Shopify Inc. ([TSX:SHOP](#))([NYSE:SHOP](#)) might be a good investment, but it isn't for the faint of heart. The stock has taken investors on a roller coaster, as it seems to react erratically on just about any negativity. Earlier this week, the stock was down 6% after news hit that one of its small rivals was going to be [acquired](#) by a big tech giant.

Unfortunately for Shopify investors, this is a pattern we've see happen again and again with the stock. Last year, Shopify looked unstoppable and like it might hit \$200, until a report by a short seller, which was [overly critical](#), sent investors into a panic, and a big sell-off took place. This year we saw the same thing happen shortly after the stock hit over \$200 a share.

The big danger for investors is that whatever progress Shopify makes, it could be undone very quickly, and all it could take is one bad report or news release that hurts the perception of the company. At this rate, it's hard to tell where Shopify will go, and I'll try to do my best to determine which price the stock is more likely to hit next: \$150 or \$200.

Why Shopify could reach \$200

I'll start with why the stock could rebound and continue back on its ascent.

First, Shopify continues to show tremendous growth, and in its latest quarter sales were up nearly 70%. Although that's down from previous periods, it's still incredible growth for a company that has become an established player in the industry.

Second, the company has a lot of potential to grow, as any person wanting to sell something online could be a potential customer of Shopify's, and that makes it easy for Shopify to find ways to increase its market share.

Third, while the recent Magento deal might be a concern, it's still far away from being a real, imminent threat to Shopify. It'll take significant time and resources for the company to become a formidable opponent to Shopify, and so it would be silly for the stock to be weighed down by something that may never even happen.

Why Shopify could hit \$150

When it comes to Shopify's stock, when it rains, it pours. The market just needs a little negativity to bring the bears out, and we could see that happen yet again.

And while the company has seen a lot of sales growth, it continues to be unprofitable, and that's going to make it more of a challenge for the stock to grow in the long term, especially with a potentially large competitor looming. Shopify put forth a conservative outlook for 2018 in its recent earnings release, suggesting the company may be worried that it may not be able to maintain this high rate of growth for much longer.

Why I expect it'll hit \$150 before it hits \$200 again

I'm not convinced there is enough optimism surrounding the stock to get it up to \$200, and for that reason, I expect it will drop to \$150 first. It could very well reach \$200 again, but I wouldn't anticipate that happening anytime soon.

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