



Here Is Why You Should Buy Shopify Inc. (TSX:SHOP) Stock After a 18% Plunge

Description

Investors who were looking for an entry point to take a position in [Shopify Inc. \(TSX:SHOP\)](#)([NYSE:SHOP](#)) stock may have their chance now after this e-commerce platform provider has lost some ground in the past two weeks.

After reaching a record high of \$232.6 a share on June 20, Shopify's stock has gone through a technical correction, as its shares have fallen about 18% since then. If the past offers any guidance, Shopify stock should rebound quickly after a correction of that magnitude.

And there is nothing that suggests that this e-commerce platform provider to small- and medium-sized businesses is running out of steam. After gaining 71% during the past one year, Shopify remains the second-best performer when you compare it with the so-called FANG stocks: **Facebook Inc.**, **Amazon.com Inc.**, **Apple Inc.**, **Netflix Inc.**, and **Alphabet Inc.**-owned Google.

The recent pullback in Shopify's value came after some analysts raised alarming bells regarding the stock's frothy valuations, especially when the company has not yet generated a full year of profit. And the shares trade at more than 10 times estimated revenue in 2019.

But traditional stock valuation approaches generally don't work for technology companies, which target the mass global markets.

For [Shopify](#), that market opportunity is huge, as there are not many players that offer an e-commerce platform as powerful and unique as Shopify has become for small- and medium-sized companies.

In the first quarter ended March 31, the Ottawa-based Shopify reported that revenue surged 68% to US\$214.3 million. The company also raised its revenue guidance for the 2018 fiscal year, forecasting revenue to be between US\$1 billion and US\$1.1 billion for the year, up from the US\$970-\$990 million estimate that the company delivered in February. That would be a 63% jump in the company's yearly sales if it meets the upper limit of its forecast.

The bottom line

Trading at \$191.71, Shopify is well positioned to benefit from the massive growth opportunity in internet

commerce. The company aims to expand into new non-English-speaking markets, targeting some of the world's largest economies, such as Japan, Singapore, France, and Germany. In the absence of any major setback to its growth targets, I see this weakness a good buying opportunity for investors who were sitting on the sidelines.

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