



Shopify Inc (TSX:SHOP): Buy, Sell, or Hold?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) has been stuck in a bit of a range for the past half year, moving from around \$180 a share to \$230. While that is a spread of nearly 30%, investors may have been hoping for more of a breakout from [one of the TSX's top stocks](#).

Year to date, Shopify's stock has risen by more than 60%, but recently that ascent has started to stall, as it looks to have run into a resistance at around \$230. Each time the stock has made a run up to that price, it has failed to stay there and has dropped back down again. Most recently, it didn't even get to \$220 before coming back down, suggesting that it may be the start of a downtrend.

Why is the stock starting to run into problems?

One obvious answer behind the lack of progression further in price is that Shopify is already a very expensive stock, trading at 10 times its book value and nearly 20 times its sales. And with no earnings, it's hard to find a multiple that would justify the stock being a good buy.

Another concern for investors is the company's slowing growth rate, which we've seen drop in consecutive quarters, and Shopify hinted at a continuation of that trend for the remainder of the year. While there should be endless opportunities for the e-commerce platform to make its way to every possible merchant, it isn't without competition. Its key rival, Magento, is now getting big money behind it thanks to a deal with **Adobe Systems Incorporated**, and Shopify could be facing more of a battle for market share.

If Shopify does continue to see its rate of growth decline, then it could be nowhere to go but down for the stock price. When it comes to growth stocks, it's all about beating the numbers. With Shopify already softening investors up for weaker numbers ahead, if it fails to meet those, then we could see a big sell-off take place.

Why there might still be room for hope

There are many factors that are working against Shopify in the short term, but there's one big positive that could help the company pick up steam: marijuana. [Online pot sales](#) are expected to be big, and

Shopify has even secured a deal with the province of Ontario to help facilitate the distribution of cannabis. Pot stocks have been booming on the expectation that supply won't be able to keep up with demand, and if Shopify can get even a little bit of that action, it will have a leg up on its competitors and find another gear to drive its growth rate back up.

However, we likely won't see the impact of that for at least a couple of quarters, but investors shouldn't underestimate the impact of when that does happen.

Should you buy Shopify today?

Given its current trajectory, I wouldn't suggest buying Shopify just yet, as the stock has not shown much momentum in either direction. If, however, the stock should drop to around \$180 per share, investors may want to consider buying the stock on the dip, as it has proven it isn't likely to stay down for long.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/25

Date Created

2018/09/25

Author

djagielski

default watermark

default watermark