



## Why Shopify Inc. (TSX:SHOP) Stock Is Proving a Winning Bet in 2018

### Description

After enduring a lot of volatility and [testing investors' patience](#), **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock is set to outperform many technology stocks in 2018.

At the time of writing, this Ottawa-based e-commerce platform provider is up more than 40% for the year. That means it's had a much better performance than some of the tech titans, including **Amazon** and Google parent **Alphabet**.

Investors who placed bets on Shopify's ability to produce powerful rallies after every pullback, have been reaping the benefit of this trade. Going forward, it seems Shopify is well positioned to reward its investors, despite a worsening macro environment that's hurting growth stocks and forcing investors to move their funds to safety.

### Earnings momentum

The biggest evidence that supports this bullish view comes from the company's strong earnings momentum. Despite skeptics raising doubts about the company's long-term potential to generate massive growth in its revenue, Shopify continues to surprise.

In the last quarter, Shopify boosted its full-year revenue guidance and reported third-quarter results that beat expectations. The company now expects revenue of US\$1.05-\$1.06 billion for the full year, up from its earlier guidance of US\$1.02-\$1.03 billion and ahead of analyst expectations.

For the third quarter, Shopify reported sales worth \$270.1 million, up 58% from a year earlier and ahead of the consensus estimate of \$258 million. Adjusted net income was \$4.5 million, or \$0.04 a share, beating the expected loss of \$0.04 a share.

One of the biggest concerns that Shopify stock bears usually cite is about the gross merchandise volume (GMV), the total amount of sales made by all the vendors on its platform. That measure has shown some slowdown during the past few quarters. If GMV shows a sharp slowdown, then it will show that Shopify's growth has hit the ceiling.

The latest earnings show that GMV is still showing a healthy growth, expanding 55% during the third quarter to \$10 billion. One new catalyst that's pushing sales volume higher on Shopify's platform is Canada's cannabis industry.

Shopify's platform is being used by top cannabis companies to sell the commodity online. Government-run websites in several provinces, including Ontario and British Columbia, as well as private companies like **Canopy Growth** use Shopify's point-of-sale system.

## Bottom line

Trading at \$198.80, [Shopify stock](#) is still down 15% from the 52-week high. For the long-term investors, this stock is a good bet with a lot of potential to grow. If you haven't invested in Shopify as yet, then the next dip may be a good time to take a position.

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