



Is 2019 the Year Shopify Inc (TSX:SHOP) Stock Hits \$300?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) has been stuck in a range for much of the past three months, bouncing back and forth between \$160 and \$210. For the full year of 2018, however, the stock was still up 48%. With a similar performance in 2019, it could hit reach over \$280 in share price, and so \$300 might not be out of the question. In 2017, the stock grew by 120%, and the year before that it was up more than 60%.

By Shopify standards, 2018 was a pretty poor year for the stock, and there is reason to believe that it could have a much stronger 2019.

Why Shopify's stock could be poised for a big run this year

The main reason Shopify continues to do well is that the company has consistently achieved a strong rate of sales growth. In its [most recent quarter](#), sales were up by 58% from the prior year. And while that's a very high number, it's actually down from prior periods. However, few companies on the TSX are able to achieve this level of growth while still having a strong outlook.

Shopify's digital platform can reach merchants all over the world, and even though the company has amassed nearly US\$1 billion in sales over the past four quarters, that's really just scratching the surface of what it could achieve over the long term. Online sales continue to grow, and there are many merchants out there that Shopify can still reach, and that's what makes it a great growth stock to hold for years.

And with cannabis recently [legalizing](#) and Shopify's platform being used for online sales, it effectively signed up a big part of the industry to its platform. That's going to translate into big dollars in the company's next quarterly earnings, and I wouldn't be surprised to see its growth rate bump back up over 60% as a result of cannabis sales. It's just one example of how signing up one big customer, or several in this case, could translate into a very strong outlook for the stock.

Once you layer in the boost from cannabis on top of Shopify's existing growth, it becomes easy to see how the stock could hit \$300 this year. I'd go so far as to say I'd be surprised if it didn't reach that level.

There are risks investors should consider

As promising as Shopify looks, investors need to also be aware of the risks involved. Over the past few years the stock has seen big declines in price after short-seller reports sent investors into a panic. While the reports may not have been justified, the speculation has proven to be enough to cause sell-offs.

And with Shopify trading at more than eight times its book value, investors will be paying a big premium to own the stock. So, any concerns about the business and its growth potential will hit a soft spot for the stock.

Over the long term, Shopify is a good buy, but investors need to be aware of these risks, and that a sharp decline in price could always be around the corner.

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