



Is Shopify Inc. (TSX:SHOP) the Best Tech Stock on the TSX?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) stock has climbed 40% year over year as of close on January 14. Large tech stocks were ravaged in the United States and Canada in late 2018. The tech-heavy NASDAQ plunged into bear market territory in December 2018 and suffered its worst bout of losses since the height of the financial crisis.

Back in early December, I'd [discussed](#) the state of tech stocks on the TSX. The tech sector is underweighted on the TSX in comparison to major U.S. indexes, but there are still some very high performers. Shopify is one such stock. Shares of Shopify have surged over 800% since its initial public offering back in 2015.

The stock was hit with volatility in 2018 and has consistently been the target of short-sellers since a Citron Research report made allegations back in 2017. Shopify has always managed to weather the storm, and even the late-2018 rout has not managed to remove its luster. Back in October, I'd [recommended](#) that investors pile into the stock as it sunk below the \$170 level. Now Shopify stock sits just below the \$200 mark. Is it still a buy today?

Shopify stock last boasted an RSI of 55 as of close on January 14. This suggests that the stock is neither overbought nor oversold at the midpoint in January. The last time it set off oversold signals was back in October 2018.

The company is set to release its fourth-quarter results in February. In the third quarter of 2018, Shopify saw revenue rise 58% year over year to \$270.1 million. This was powered by a 68% rise in Merchant Solutions revenue to \$149.5 million on the back of growth of Gross Merchandise Volume (GMV). GMV hit \$10 billion in Q3 2018 — a 55% increase from Q3 2017.

Investors will have to wait for Q4 2018 results, but Shopify did release data from the Black Friday Cyber Monday (BFCM) 2018 shopping weekend. Shopify merchants collectively pulled in over \$1.5 billion in sales over the big shopping weekend. At peak hours, Shopify merchants generated over \$87 million in sales per hour.

Many of the trends we saw in 2017 carried over into the BFCM weekend in 2018. Mobile shopping

represented 66% of sales from Shopify merchants compared to 34% on desktop. The introduction of Shopify Pay for mobile buyers improved conversion rates for many top merchants.

Shopify is a pricey stock in early 2019, but the company has made impressive strides and has firmly entrenched itself within the e-commerce infrastructure. This is especially true when it pertains to its footprint in North America. Retail e-commerce sales worldwide are expected to hit nearly \$5 trillion by 2021. Global e-commerce sales hit \$2.8 trillion in 2018.

Shopify has established itself as a giant in a sector with massive potential as we look ahead to the 2020s. Still, investors may want to await a pullback before jumping in as North American indexes have rebounded in the first half of January.

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Date

2025/07/26

Date Created

2019/01/15

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