



Should You Buy Shopify Inc (TSX:SHOP) Ahead of Earnings?

Description

Earnings season is coming up and one company to keep an eye out for is **Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)). The stock has been rallying over the past months and is up over 25% during that time. The stock has seen a lot of range activity over the past several months and could be due to break out sooner or later. How it performs in its next earnings report could determine its direction.

We're about a month away from when the company is set to report its Q4 results, but given how volatile the stock has been, investors will want to start monitoring it now.

Why the stock could take off next quarter

Finishing the year with a bang could create a lot of bullishness around the stock. And with this coming quarter being the first one to include fees collected from online marijuana sales in Canada, it could inject the company with a lot more growth. In its [most recent quarter](#), Shopify's sales were up 58% year over year. While that's not a bad improvement by any means, it's also been declining.

If marijuana sales are able to reverse that trend and achieve growth back up to over 60%, the stock could head for \$250 or perhaps even higher. We've seen some marijuana companies report their earnings already, and the sales numbers have shown significant improvement in their top lines. With much of those sales coming from online purchases, Shopify will be a big benefactor from that industry's growth.

A strong online shopping season is another factor. **Amazon** reported record numbers for Cyber Monday and Black Friday as consumers continue to show a strong preference for online purchases. It also suggests that the economy is still doing very well, and Shopify is likely to benefit from this as well.

With Shopify generating a lot of consistent sales growth each quarter, getting an added influx of sales from strong holiday numbers along with marijuana-related revenue suggests that the company could get a big boost in its next quarter's earnings. Investors have not shown much concern for its bottom line just yet, and with strong sales numbers, it may not matter if the company is getting any closer to breaking even just yet.

Why I'd still wait before buying the stock

As of the end of last week, Shopify closed at over \$210 a share. Over the past year, it has only been able to stay above this price point for short periods. If the range activity continues, Shopify's stock could see one more decline in price before it releases its quarterly results. If that happens, that's when it would be [time to buy](#). In order to maximize your return, you want to pick your spot to ensure you're buying the stock at a decent price.

Investors should keep a close eye on Shopify over the next few weeks, as the stock could be poised for a good month in February.

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