
# Shopify Inc. (TSX:SHOP) Stock: Will a Buying-on-the-Dip Strategy Work in 2019?

### Description

Looking at the stock price chart of **Shopify** (TSX:SHOP)(NYSE:SHOP) over the past year shows that buying on the dip was a great trade for this e-commerce platform.



Every time this stock fell, it staged a strong comeback. That's the reason that with all the negativity and macro risks, Shopify delivered about 43% return in the past 12 months — one of the highest among top tech players.

As 2019 is proving to be a year when volatility again is likely to remain high, the question for growth investors is, will the same strategy will work this year, too?

I'm in the camp of those who believe strongly in the business model of this Ottawa-based e-commerce company, and I see a good chance that the company's growth still has a lot of room to grow, especially in emerging markets.

The biggest evidence of this strength came in 2018; when many tech titans struggled to maintain their growth momentum, Shopify was still able to produce positive growth for its investors.

Shopify stocks in mid-December went through a big plunge after the company announced its second equity capital offer this year, which sent some negative signals to the market.

The company sold 2.6 million Class A subordinate voting shares to strengthen its balance sheet, which follows a 4.8-million share offering from earlier this year. But after this dip of about 27%, Shopify's stock recovered most of the losses in the next four weeks.

## Strong earnings momentum

In the third 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 fourth-quarter period for which the company is scheduled to report on Feb. 12, analysts, on average, expect 47% growth in sales to US$347 million and earnings per share of $0.2.

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 slow down during the past few quarters.

The last earning report showed that GMV is still showing a healthy growth, expanding 55% during the third quarter to $10 billion. Investors should keep an eye on this metrics for the past quarter. A strong number will be a big plus for the company's share price.

## Bottom line

Trading at $208, Shopify stock doesn't offer a good entry point for investors who want to enter this trade after a jump of the past four weeks. For long-term investors, however, Shopify is a good technology name to have in their portfolio, and the next dip could provide a good entry point to take a position.

**CATEGORY**

1. Investing
2. Tech Stocks



**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
2. Tech Stocks

**Date**
2025/08/25
**Date Created**
2019/01/26
**Author**
hanwar