



Shopify Inc (TSX:SHOP): Where Will This Top Growth Stock Land?

Description

No other tech giant has bounced back as strongly as the Canadian e-commerce platform provide, **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) has since the December dip.

[Shopify shares](#) have surged massive 49% since then, leaving many investors bewildered. They thought this stock would struggle when many U.S.-based funds are shorting this company and the environment is weakening for high-growth tech stocks.

But defying all the gloomy predictions, Shopify stock continues to march ahead and reward those who believe in the company's business model. So, what's powering Shopify stock?

The answer to these questions is hard to find, especially if you're investing in a tech stock that's at its early stages of growth. But let's try to find what Shopify has to say in its latest earnings report.

Earnings momentum remains strong

For the fourth-quarter earnings released early this month, Shopify topped analyst expectations and its own forecast, producing sales that crossed US\$1-billion in 2018. In the quarter, Shopify generated \$343.9-million in revenue for the period ended December 31, up 54% over the same quarter a year ago.

The biggest surprise for those who are following Shopify stock closely was that the company expects a strong revenue jump for this year, thereby predicting 36% increase for 2019. It expects to generate revenue of \$1.46-\$1.48 billion this year.

After wrapping up a successful 2018, Shopify now has 820,000 merchant customers who use its online platform to run their web-based and physical store operations. Despite this remarkable growth, Shopify still posted a loss of \$1.5-million, but that was cut to half of what it produced the same period a year ago.

Is Shopify stock a buy?

One important element that should help you clear your thought process about Shopify is that the company is in a business with a huge global market. E-commerce is growing fast everywhere, and it's the industry in which you want to take an exposure.

Currently, Shopify's 24% of merchants are outside its core English-speaking markets of North America, Britain and Australia, up from 21% a year earlier. That growth came after the company started to offer its platform in other languages, including German, French and Japanese.

That alone suggests to me that Shopify has a great global appeal even if its North American demand is leveling off. Other strong indicators of Shopify's long-term success is that many brands are now using its platform, which means that the company can make solid revenue from that segment.

In the latest report, Shopify said the 5,300 customers for its Shopify Plus offering – an expanded version of its platform for larger customers – now account for an increasing share of the gross merchandise value, or sales booked by customers using its platform.

Bottom line

If you look at the analysts' price target for [Shopify stock](#) for the next 12 months, you will see a great mismatch. Around \$242 a share at the time of writing, the stock has already overshoot the analysts' consensus estimate of \$195. Although I'm extremely bullish about Shopify, I think new investors should wait for some pullback before taking a long-term position.

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