



## Has Shopify Inc. (TSX:SHOP) Stock Peaked?

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock is currently trading at more than \$260 per share, or up 40% year to date, as it caps off a period of continued [explosive stock price performance](#).

In the last month, though, this [tech stock](#) has stalled.

Has Shopify stock peaked? What can we expect going forward?

### Competition heating up

What was previously considered a competitive environment that Shopify owned is slowly morphing into an environment where we are seeing the emergence of viable competitive threats.

Although Shopify is still sitting comfortably in its leading competitive position, moves from the likes of **Facebook's** Instagram and from Mailchimp, a privately held firm out of Atlanta, aim to threaten its lead.

Facebook's launch of Instagram Checkout, which allows consumers to pay for items without leaving the platform, aims to take Shopify out of the equation as it builds its own pop-up shoppable stores that accept payment. It is also testing a video platform that lets merchants sell products through real-time streaming videos.

This would be in direct competition to Shopify, and as the competitive landscape heats up, Shopify will certainly face headwinds as a result.

### Estimates falling like a knife

Earnings estimates for Shopify have been falling, and this, coupled with its lofty valuations, makes it a bad place for investors to be.

The consensus EPS estimate for 2019 has been reduced to \$0.40 from \$0.59 previously, and while the consensus 2020 and 2021 estimates have held steady, this is a worrisome trend, as falling estimates

are a precursor to weak stock prices.

And with Shopify's rich valuation, that makes the stock even more vulnerable to this dynamic.

## Valuation still stratospheric

Shopify stock is trading at 83 times the only 2022 earnings estimate out there — a highly uncertain number that is really too far out to really count on.

I guess the actual number could come in higher than this, but in my view, there is a greater chance it will come in lower, as the headwinds I talk about in this article really come to bear.

## Final thoughts

In summary, I would like to give credit where credit is due.

Shopify stock has rallied for good reason.

Its leading cloud-based commerce platform designed for small- and medium-sized businesses has filled a need that was screaming to be filled, with new and old business owners struggling to get a handle of the new online world of business.

And it is transforming the e-commerce world.

But investors need to think about what the future holds for Shopify stock and what this means for their portfolios, because we may be in for some nasty headwinds.

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karenjennifer

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