



Shopify (TSX:SHOP) Stock: Is It the Right Time to Lock in Gains?

Description

It's not a bad idea to have an exit plan when your favourite stock has gone through a powerful rally. This becomes even more important when many analysts are calling a turbulent end to more than a decade-old bull run in the U.S. equity markets.

Investors in the Canadian e-commerce platform provider **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) are probably facing a similar situation where they have to decide whether to remain loyal to this e-commerce platform provider or book profits after an [eye-popping rally](#) of the past five years.

Defying many calls of crash by some U.S.-based short-sellers, Shopify continues its upward journey unabated. After skyrocketing since hitting a December low, its shares are now up more than 80% during the past one year, leaving behind some of the world's most-loved technology stocks.

During the past five years, Shopify stock has delivered more than 700% return, a period when the tech-heavy NASDAQ index rose 57%. Deciding whether it's a good time to book profit in Shopify shares, however, isn't an easy one.

The company, which provides e-commerce solutions to small and medium-sized businesses globally, has achieved a noticeable success in the recent quarters by providing e-commerce capabilities to some large corporate clients.

That push has weakened the argument by short-sellers who say the company's exposure to small businesses make it vulnerable. **Procter & Gamble**, **General Mills** and **Steve Madden** are among the world's powerful brands that Shopify attracted in the past year. Another new area of growth for Shopify is Canada's growing marijuana sales.

Shopify's platform was widely adopted for online sales of recreational marijuana, which Canada legalized on October 17. Government-run websites in several provinces, including Ontario and British Columbia as well as private companies use Shopify's point-of-sale system.

“The Canadian cannabis push was really not only just to get a foothold in the Canadian market, but also ensure that we have a really good position globally as things begin to decriminalize,” Shopify CEO Harley Finkelstein said in February on a call with analysts.

“It also positioned us...to be the first phone call that any other country thinks about when they’re thinking about regulating or allowing cannabis sales to the consumer to be allowed.”

Due to these catalysts, analysts are generally positive for Shopify’s future growth potential. They see more than 60% growth per year in Shopify’s profit during the next five years.

Bottom line

There may be a convincing argument that favours selling Shopify at this stage and moving to the sidelines, but I believe the bigger picture looks very attractive for the company, as e-commerce continues to be the key growth driver for businesses in both developed and emerging economies.

[Shopify](#) is well positioned to benefit from this massive opportunity. The company aims to expand into new non-English-speaking markets, targeting some of the world’s largest economies, such as Japan, Singapore, France, and Germany. For these reasons, I think Shopify is still a good stock to hold.

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