



How Much Higher Can Shopify (TSX:SHOP) Stock Go?

Description

Who could have predicted that the e-commerce powerhouse, **Shopify Inc.** (TSX:SHOP([NYSE:SHOP](#))) will double in its price in just four months of this year? It was a highly ambitious outcome in an environment when the risks to growth stocks accelerated, experiencing a sharp correction in the early part of 2019.

Defying all of these odds, [Shopify is continuing its upward journey](#), helped by strong earnings momentum. The latest surge in the company's share came after Shopify reported that it had adjusted earnings of US\$10.3 million or \$0.09 per share for the first quarter, crushing analysts' expectations for a loss of \$0.05 per share.

Revenue of \$320.5 million was up 50% from the \$214.3 million a year ago — and above the \$310 million expected by analysts. The growth comes as Shopify expands internationally and continues to add merchants as it pushes to increase its offerings in the highly competitive online retail space.

"We're off to an incredible start this year, as more merchants around the globe choose Shopify to start, grow, and manage their businesses," Amy Shapero, Shopify's CFO said in the earnings statement on April 30. "Entrepreneurs and enterprises alike recognize that Shopify's merchant-driven mission helps them build their most successful business and thrive in an ever-changing retail landscape."

Shopify stock: gross merchant volumes surge

The Gross Merchant Volume (GMV), one of the most important metrics for Shopify, rose 50% to \$11.9 billion for the first quarter when compared to the same period a year ago. Gross Payments Volume (GPV) grew to \$4.9 billion, which accounted for 41% of GMV processed in the quarter, versus \$3.0 billion, or 38%, for the first quarter of 2018.

On back of these robust growth numbers, Shopify shares are in the middle of a rally that has proven the majority of analysts wrong. The highest price target among analysts surveyed by Bloomberg is \$336.35, about 10% below the \$372 level where Shopify was trading at the time of writing. The average target implies about 90% drop in the next 12 months.

Trading at \$373.50 at the time of writing, Shopify stock has now more than doubled this year, the best performance on the benchmark **S&P/TSX Composite Index** after pot stock **Hexo Corp.** Shopify's gains are also bigger than any stock in the **S&P 500 Index** over that time.

These huge variations in the market expectations regarding Shopify stock's future direction suggest that investors haven't fully understood [the growth potential for Shopify](#), which provides e-commerce solutions to both small- and medium-sized businesses globally.

The demand for such services is exploding as buyers prefer online channels for shopping, thereby forcing merchants to open up their online stores if they want to survive in this challenging environment.

Bottom line

It's hard to predict where Shopify stock will be after, let's say, next three months or six months. But if you're a long-term investor, it's better to wait for at least 20% dip before making your move. The stock's trading pattern suggest that there will be some correction in the near future, but over the long run, Shopify is a great growth name for investors to cling to.

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