



Is Shopify (TSX:SHOP) Headed for \$500 After Another Earnings Beat?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) continued to prove to investors why the stock is one of the most popular on the TSX last week with yet another strong earnings results. For Q2, the company came in higher than what analysts were expecting for both sales and earnings.

With US\$362 million in sales for the quarter, it was a 48% improvement from the prior year, and while it's part of a pattern we've seen from the company, where sales have been increasing at a decreasing rate, it's still a solid growth rate overall.

Few companies can grow at around 50% every quarter, and that's what makes Shopify's performance that impressive. What's also encouraging is that while expenses were up from the prior year, they had increased by 46% — a little less than the increase in sales. It's a good sign that suggests costs aren't growing out of control.

Stock gets a boost from earnings

As a result of the impressive Q2 results, Shopify's stock hit a new 52-week high of \$463 last week. It's likely it would have continued to climb had it not been for the markets being down as a result of tariff-related news weighing down stocks. In just six months, Shopify's stock has just about doubled, as it has had a very strong performance in 2019.

We can talk about multiples and the stock being expensive trading at more than 20 times its book value, but that has had little impact on investors thus far. A lot of the growth in share price has come with investors having huge expectations for the future, especially with Shopify continuing to expand into new areas, such as [fulfillment](#) and even [TV](#). The moves are going to generate a lot of sales growth for the company and will make Shopify an even bigger player in the tech space.

The case for Shopify's share price today isn't that it's worth 40 times its sales; it's that in a few years, that and other multiples will come down as its rapid growth continues and revenues get even larger. The problem is, that makes trying to estimate and project where the stock price comes in at a bit challenging since investors are paying for future growth, which may not always be easy to predict.

Is \$500 inevitable?

With Shopify breaking through \$450, the next big test for the stock will come at the \$500 mark. And with investors being pleased with another strong earnings performance, I would be surprised if Shopify doesn't continue to ride the momentum up towards \$500. Whether it will find resistance there or just keep on going past it is what I'll be keeping a close eye on.

At this rate, it's likely that Shopify will reach that price sooner rather than later, perhaps even this month. Unless we see some negative press about the company, it doesn't appear the stock is headed for a correction anytime soon. As expensive as it may be, there's definitely demand from investors to own shares of Shopify, and last week's results won't do much to change that.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

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

Tags

1. Editor's Choice

Date

2025/08/26

Date Created

2019/08/06

Author

djagielski

default watermark

default watermark