



Here Is How Shopify (TSX:SHOP) Stock Could Double in 2020

Description

When you take a decision to invest in high-growth stocks, the bet you make is that the company has a much more room to grow and its stock will deliver returns that will easily beat the market. Those investors who'd bought the shares of high-flying technology stocks in the past decade made a killing.

One Canadian stock that fits well in this group of high-octane stocks is the e-commerce giant **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). Its stock is up more than 150% in 2019, adding to 1,248% surge in the past five years.

If you're thinking of taking a position in this tech darling now, the basic question comes to mind: Does this [eye-popping rally](#) have more legs?

There is no doubt that the risks to growth stocks are rising. The lingering trade war between the U.S. and China has begun to take its toll on the industrial economy, and the central banks have started to act by cutting interest rates.

I don't think Shopify, which provides e-commerce platform to both small and large companies, will remain immune if the economy slows or recession hits the global economy. For that reason, it's hard to make a bullish call for companies that are tied to global growth.

Shopify's strength

But one important difference in the case of Shopify is that the company is serving a market that is in a cyclical uptrend and doesn't seem to be near saturation.

One of the main strengths of Shopify is that it offers small businesses a very effective and cost-efficient way to building a secure online store. The platform handles all the hardware security, data backup, and payment processing aspects of the business, freeing up merchants to just focus on their core businesses.

The company last month reported that sales grew 48% to US\$362 million in the second quarter, beating expectations. Shopify raised its 2019 revenue guidance to a range of \$1.51 billion to \$1.53 billion.

“Our strong performance in the second quarter reflects the success of our ongoing activities and investments to help merchants start selling, sell more, and sell globally,” said Chief Financial Officer Amy Shapero.

In addition to helping companies with online sales, Shopify now also offers services at the point of sale in brick-and-mortar stores. In the second quarter, Shopify introduced new services such as 3D modeling for product listings and multilingual, multicurrency checkout options, as well as an upgraded point-of-sale system.

That being said, Shopify has never gone through a full economic cycle, meaning that it has not yet been tested through the economic downturn of the magnitude that we saw in 2008. Does Shopify have a business model strong enough to withstand a full-blown economic recession?

In my opinion, it certainly does. No matter how the economy performs, the shift to e-commerce isn't going away. Both small and large companies can't stop investing to make their e-commerce channels more attractive and easier to use. And Shopify is at the centre of this revolution.

Bottom line

It's hard to predict where Shopify stock will trade in 2020, or how badly its growth will be affected if the global economy slips into a recession. But, over the long run, Shopify is a great growth name for investors to cling to and to [take advantage of weakness](#) when and if it comes

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