



## Why Did Shopify (TSX:SHOP) Fall 2.7% Yesterday?

### Description

Shares of Canada's e-commerce company **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) fell 2.7% yesterday to close trading at \$328.82. According to Shopify's filings, the company is looking to raise \$600 million in a secondary offering at a price of \$317.5 per share.

In June 2019, Shopify announced that it will be investing \$1 billion over the next five years [to set up fulfillment centres](#). So, it's possible that the secondary offering is being used to help Shopify build a network of fulfillment centres.

According to Shopify, there is a need for fast, reliable, and affordable fulfillment centres. It aims to offer a streamlined fulfillment experience equipped with intelligent inventory and order routing. This will deliver value to merchants through competitive rates and higher cart conversions.

## Shopify stock is trading 20% below its 52-week high

Shopify stock has lost significant value recently. The stock is trading 20% below its 52-week high and has lost over 16% in market value since September 5, 2019. There have been concerns over [Shopify's high valuation](#) and premium multiples.

Shopify is still posting an unadjusted loss and investors want the company to improve the bottom line at a robust rate. It has a forward price-to-earnings multiple of 345. Comparatively, analysts estimate Shopify will grow earnings by 60.5% in 2019, 55.7% in 2020, and at an annual rate of 53.1% in the next five years.

Despite the recent pullback, Shopify has returned an impressive 136.5% year to date. The stock is up by a whopping 1,060% since its IPO in May 2015.

## Should investors get excited about Shopify's latest move?

While Shopify is still booking a GAAP loss, its growth story remains intact. Yesterday, Shopify

announced new features that will enable U.S. merchants to sell hemp and related products online. U.S. retailers will be able to sell hemp or hemp-derived cannabidiol (CBD) products by leveraging Shopify's platform for sales.

Shopify's chief operating officer, Harley Finkelstein stated, "Shopify has unmatched expertise in emerging industries, along with the resources merchants need to be successful in the fast-growing market of hemp-derived CBD products in the U.S. Shopify's reliable technology and extensive partner network means that businesses can ride the wave of demand for these products and give consumers more choice."

Hemp and derived products is one of the fastest-growing markets in the U.S. Though the industry is highly regulated, CBD and hemp merchants can leverage Shopify's retail operating system and e-commerce tools to manage and grow their businesses.

Merchants will be able to create an online store experience and provide access to reliable payment and shipping providers. They can build marketing campaigns with Shopify tools and customize shipping profiles as well.

## Is Shopify a good buy at the current price?

Shopify is going to create massive investor wealth over the years. But that will come with a lot of volatility, especially in a downturn or a market sell-off. Shopify continues to trade at a premium. Further, the broader indices such as the Dow Jones and S&P 500 are trading close to all-time highs.

Analysts are cautious due to macro volatility driven by trade wars and the recent attack on Saudi Aramco's oil fields. It is quite possible that Shopify could correct downwards in the upcoming months.

Shopify analysts, though, remain optimistic about the stock and have a 12-month average target price of \$362, which provides an upside potential of 11%.

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