



Shopify Inc. Stock (TSX:SHOP) Is Tumbling: Time to Buy on the Dip?

Description

There is no one reason that could justify more than a 20% slide in **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) share during the past four weeks.

The environment for [high growth stocks](#) is getting tougher on worries that the U.S.-China trade war will crimp growth and hurt demand. Shopify, which powers small and medium-sized businesses by providing them an e-commerce platform, is unlikely to escape the impact of a global slowdown that's currently deepening.

The other contributor to this sell-off is an announcement last week saying that the company is offering 1.9 million Class A subordinate shares — a move that's generally considered negative to existing investors.

According to the press release, Shopify "...expects to use the net proceeds from the offering to strengthen its balance sheet, providing flexibility to fund its growth strategies."

A rally gone too far?

Other than these negative contributors, Shopify's rally got a little ahead of itself this year, and definitely needed some speculative air released from it. Until August 27, the Shopify stock had soared more than 200% in the past 12 months, making it the best-performing stock at the **TSX**.

Of course, no one can predict where a stock will be trading tomorrow or one year from now, but one important difference in the case of Shopify is that [its stock comes back strong](#) after every pullback due to the explosive growth of its business.

The company, which helps small businesses market their products directly to consumers online, surpassed **eBay** in market cap this year to become the second-largest e-commerce platform behind **Amazon**.

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 back-up, and payment processing aspects of the business, freeing up merchants to just focus on their core

businesses.

In July, the company 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.

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, multi-currency checkout options, as well as an upgraded point-of-sale system.

No matter how the economy performs, however, 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 how much more downside left in the current bearish spell for the Shopify stock. Investors can wait on the sidelines for the next couple of weeks to see whether the U.S. and China are able to resolve their trade dispute in their October meeting, and a negative outcome could put more pressure on this name and offer a better entry point.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. NASDAQ:EBAY (eBay Inc.)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date

2025/09/28

Date Created

2019/09/24

Author
hanwar

default watermark

default watermark