Ride the Shopify (TSX:SHOP) Wave to Riches

Description

Shares of **Shopify** (TSX:SHOP)(NYSE:SHOP) have dropped over 20% in the past month. That may come across as odd to many investors, who still view Shopify as the must-have tech stock for any growth-focused portfolio. In case you missed it, Shopify stock has shot up over 235% in the past two-year period, and so far in 2019, the stock is up an incredible 120%.

While some investors may see the recent dip as a sign the stock is overvalued and as profit taking, there are a few compelling reasons for long-term investors to ride the volatility for further long-term gains.

Here's something most investors missed

Turning to acquisitions, Shopify announced a US$450 million deal for 6 River Systems earlier this month. 6 River is a software and robotics company, and the acquisition is intended to bolster Shopify's fulfillment centres.

The importance of that deal, which received a lukewarm reception from most investors, can't be understated.

Turning back to June, recall that Shopify mentioned it would be spending over US$1 billion on building out a network of fulfillment centres across the U.S., setting up Shopify to be a viable alternative to the online e-commerce behemoth.

Specifically, the acquisition will help speed up delivery times, lower costs, and keep customers on the growing Shopify platform. To put that potential into context, Shopify has over 820,000 merchants on its platform, with over $100 billion in sales traversing the platform.

Let's talk results

In terms of results, Shopify's second-quarter results continued to showcase the immense strength and long-term opportunity that the company holds. In the most recent quarter, revenue saw a 48% increase over the same period last year, coming in at US$362 million.

Subscription revenues saw an equally impressive gain of 38% in the quarter to US$153 million. The surge in revenue was largely attributed to an increase in the number of merchants on the platform.

Overall, the company reported adjusted net income of US$15.8 million, or US$0.14 per share, reflecting solid gains over the US$42.5 million, or US$0.02 per share, reported in the same quarter last year.

Final thoughts

Shopify is a company that has placed emphasis on growth. To maintain that level of growth, it's not uncommon to seek out additional acquisitions or to issue new shares. This isn't anything new or specific to Shopify. Over the past few years, Shopify has been steadily acquiring companies to bolster its portfolio of services.

More importantly, that trend doesn't seem likely to end anytime soon. While this could fuel the argument that Shopify is approaching an overvalued level, the stock remains a solid addition for any long-term, growth-seeking portfolio where there is some tolerance for risk.

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Date
2025/07/24
Date Created
2019/09/26
Author
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