



TSX Investors: Why Shopify (TSX:SHOP) Is the Ultimate AI Stock

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) has been one of the most electric stocks on the Toronto Stock Exchange since its initial public offering in 2015. It has been one of the highest performers in the North American technology sector. The company is utilizing artificial intelligence to drive the improvement of its platform. This is one of the reasons it is one of the best AI-linked stocks Canadians can target today.

Shopify using AI to empower its merchants

Back in March, I'd discussed some of the ways Shopify is using [artificial intelligence \(AI\)](#) to power its business. Shopify goes into detail on its own site, pointing out **Alphabet's** use of "AdSense Auto ads, which use machine learning to make placement and monetization decisions on behalf of the user."

The company is also focused on the personalization of the consumer experience, which can propel its merchant businesses. The Shopify App Store boasts tools that enable its merchants to send automated product recommendations as well as AI-powered emails.

In June, Shopify announced an AI-powered fulfillment network that aims to support merchants that ship between 10 and 10,000 packages per day. Shopify said that the fulfillment network uses machine learning to achieve timely deliveries and lower shipping costs. Fulfillment systems are traditionally reserved for the largest companies in the world, but Shopify says it wants this to be accessible to every merchant.

AI is fueling earnings growth

Shopify released its third-quarter 2019 results on October 29. The company stated that it boasts over now million merchants on its platform. Total revenue rose 45% year over year to \$390.6 million, and gross merchandise volume climbed 48% to \$14.8 billion. Shopify had to swallow an adjusted net loss of \$33.6 million, or \$0.29 per share in the quarter, which was down from an adjusted profit of \$5.8 million, or \$0.05 per share, in the prior year.

Shares of Shopify have retreated 10.7% month over month as of close on November 7. Widening net losses have seemingly spooked investors, as Shopify is now trading more than \$150 off its 52-week high. Short-sellers have targeted Shopify since 2017 for its valuation and lack of transparency when it comes to its merchant information. The stock has climbed over 100% in 2019 so far.

Should you buy today?

Shopify stock has shed nearly \$170 in value since it reached its all-time high in late August, and it is still trading at the higher end of its 52-week range. If you have not been following the stock, that should give you an indication of just how wild its performance has been in 2019. Still, the horror stories of the past in the Canadian technology sector have given investors some pause. Nortel, **BlackBerry**, and Valeant often come to mind.

The company boasted over \$2.6 billion in cash as at September 30, 2019. It has posted strong revenue growth, and it is ramping up its international expansion as we move into the next decade. Shopify is still pricey, but it has a strong balance sheet and high-growth potential. I'm looking for opportunities to jump in in late 2019.

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Date

2025/08/15

Date Created

2019/11/10

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