



## Shopify (TSX:SHOP) Stock Could Soar to \$600 by Year End!

### Description

Canadian e-commerce kingpin **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) continues to defy the laws of gravity with shares now up 160% year to date after the stock took a breather, pulling back 30% from peak to trough. Had the stock not gotten pummelled this summer, the name would be nearly a triple for the year!

Now that Shopify looks to be staging a U-shaped bottom, I wouldn't be surprised to see the stock blast off past \$500 by year end, as the short-sellers begin to feel even more of a squeeze. At the time of writing, Shopify is the 18th most shorted stock on the TSX and is arguably the most expensive name on the list of Canada's most shorted stocks.

Shopify stock trades at 28.5 times sales and 15 times book, both of which are out-of-this-world valuations. Not only is Shopify stock priced for perfection, but it's also priced with a high likelihood of an upside surprise come the firm's next quarterly report, making the name subject to massive moves that are comparable to the crazy world of marijuana.

Unlike pot stocks, though, Shopify has an industry-leading product that keeps getting better. Not to mention that sustained profitability numbers are closer to reality than with "pie-in-the-sky" pot stocks that are nowhere close to reaching the milestone.

Now, there's no question that Shopify deserves a rich multiple given its high double-digit top-line growth, which, while slower than compared to a few years ago, still has the potential to re-accelerate in conjunction with gross margins.

Shopify has a unique upselling opportunity with its rich lineup of add-on offerings (Payments, Capital, and Shipping) that can drive gross margins and average revenue per paying users through the roof, boding well for the firm, which seems to be on the highway to sustained profits.

To make the Shopify story even more jaw-dropping is the fact that Shopify's enterprise solution, Plus, is starting to pick up traction. That means one of the short points of Shopify having low-quality subscribers (many of which are drop shippers) more prone to churn is becoming less of an issue overtime.

As Shopify continues winning over big-league customers, I see CEO Tobias Lütke having the last laugh against the shorts, including the infamous Andrew Left, who Lütke called a "short-selling troll" in the past.

As Shopify stock discovers a [new wave of momentum](#), investors ought to be cautious.

The stock may be technically sound, but the valuation has become ridiculously rich, even by Shopify standards. And although management has a history of surprising to the upside, no company can beat forever. Even if Shopify blew away the numbers in its next quarter, there's still a possibility that the stock could pull back like **Salesforce.com** did when it reported blowout numbers in its latest quarter.

While the Shopify stock will likely never be what value investors would deem as cheap, I think it's prudent to wait at least until the stock falls back to (or below) its historical average multiples. That means waiting until shares trade at or below 20 times sales.

Shopify looks like [a compelling trade](#) at \$480 for those looking to make a quick buck, as the stock looks to break out potentially to \$600, but for long-term investors, it may be better to wait for a better entry point.

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### Date

2025/08/10

### Date Created

2019/12/09

### Author

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