



Shopify (TSX:SHOP): How Far Can This Stock Go in 2020?

Description

There is no correlation between what analysts have in their models about the future price of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock and where it's trading now.

According to analysts' consensus price estimate for Shopify, the stock should be trading around \$200 in the next 12 months. But when you look at the current price of [Shopify stock](#), which hit \$588 yesterday, you will realize that there is a big disparity, and analysts have a lot of catching up to do.

So, what's driving this massive rally in Shopify stock, which has soared 181% in the past 12 months and more than 40% in just two months?

Let's start with a broader picture in the e-commerce space.

Shopify provides an e-commerce platform to both small and large companies to help set up their online shops.

U.S. shoppers spent more online during this year's holiday shopping season, a report by **Mastercard** showed last month, with e-commerce sales hitting a record high. E-commerce sales this year made up 14.6% of total retail and rose 18.8% from the 2018 period, according to Mastercard's data tracking retail sales from Nov. 1 through Christmas Eve.

That cyclical shift to online from mall-based shopping is helping almost all top technology companies whose stocks are hitting record highs. Shopify, with its platform strength and its global appeal, remains the top pick for investors who want to have a quality e-commerce stock in their portfolio.

Shopify's growth plans

Another factor that's fuelling these gains is that the consumer spending remains strong in North America, and the future also looks bright after both the U.S. and China signed a deal for the first phase of their trade pact, removing a major drag that growth-oriented stocks were facing since last year.

For the company's future growth, investors are also quite bullish, especially about [Shopify's plan](#) to set up a network of fulfilment centres in the U.S. to help merchants using its platform deliver

products more quickly and cheaply.

The Ottawa-based company, which processes millions of individual sales by hundreds of thousands of merchants every year, plans to pool shipments from different online stores together, making shipping cheaper and more efficient, just like **Amazon** does. That ecosystem will provide Shopify another strong revenue stream.

The improvements have also helped attract new users to the platform, and Shopify said it now has more than one million merchants around the world.

Bottom line

Shopify stock is just shy of \$600 mark and has more room to the upside, given the ongoing shift to e-commerce and the company's unique model of catering to both small and big companies. It's tough to predict how far Shopify stock could go due to its hyper-growth phase, but if you have already this stock in your portfolio, it wouldn't be a good idea to sell it just yet.

CATEGORY

1. Investing

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2. TSX:SHOP (Shopify Inc.)

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