



Shopify (TSX:SHOP): To Buy or Not to Buy?

Description

For almost a year, analysts were telling investors to stay away from **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). Practically everyone shouted from the rooftops that when the [market crash](#) happens, or even if a market dip happens, Shopify will be one of the first to plummet.

Well, the crash happened, and it's no where *near* as bad as predicted.

Shopify still has a fair value of around \$200, depending who you ask, yet the stock trades at \$540 as of writing. Granted, that's after falling north of 30% from its all-time high only a few months back. But still, it's well above what analysts believe it's worth. So, let's take a good look at that valuation and whether Shopify could still be a good buy even now.

Can it hold up?

Despite pushing out earnings reports that continuously beat analyst expectations, analysts are warning investors that eventually Shopify is going to report a loss. In fact, the company admitted that itself. Shopify management believes it could have revenue of above \$2 billion in 2020, but it still expects a non-GAAP operating loss for the year. This could in part be due to the market crash, where sales are likely to go way down with a market downturn. Those positive earnings reports may just come back far less positive in the near future.

If that happens, investors may eventually get fed up with Shopify not delivering a profit as promised. When one flees, so should many others, and that \$200 valuation might actually come to fruition. However, if Shopify can hold out and bring in lower yet positive merchant sales, then this stock could continue to rise sooner than investors may think.

Expansion

Then there's the company's expansion projects, not least of which is Shopify's fulfillment networks. This is where Shopify will be taking on the biggest tech companies like those in FAANG and could

even surpass them. Shopify is easy to use, has a variety of built-in features, and is constantly growing through research and development. Its fulfillment networks are what will set it soaring once the company can ship out its products without the use of intermediaries.

The bottom line is two-fold. First, Shopify has proven it can live up to the expectations that analysts and management sets for the company. Second, while it still might be overvalued, the stock could easily continue soaring once there is any positive movement in the market. So, it's really up to you as an investor.

If you're too nervous to buy now, I don't blame you, but I would absolutely consider putting Shopify on your watch list. This stock is a money making machine and could go the way of many other FAANG stocks and continue to absolutely explode on the markets. I wouldn't be surprised if in the [next five years](#) it breaks the \$1,000 per share point. When that happens, you'll be glad you bought at half the price. But as always, look at your own goals and decide whether this risky stock is worth putting into your portfolio.

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