



Could Shopify (TSX:SHOP) Stock Soar in a Post-Coronavirus World?

Description

If you're kicking yourself for missing **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), this could be your second chance to buy.

From February, shares have fallen 44% and still haven't fully recovered.

But how might COVID-19 affect businesses that use Shopify? Can this stock ever see a lasting rebound?

What's to like about Shopify?

The best reason to own Shopify is also the simplest: it addresses an excruciating problem with a genuinely excellent solution.

You cannot understate the value of this — especially when times are hard.

Businesses are cutting costs wherever possible. They're having to adapt, with improvised services like roadside pickup.

From a modest \$29-per-month, Shopify relieves a huge burden. Its platform makes it (almost) effortless to sell online. It can manage inventory and crunch data. It frees struggling businesses that haven't the time, resources, or expertise to do this stressful work on their own.

In short, the benefits of Shopify should far outweigh the costs.

It is the easiest, most comprehensive solution to sell online.

Still, don't expect COVID-19 to help Shopify in the short term

It almost certainly won't.

Revenues will probably be crushed.

That's because many businesses using Shopify appeal to impulse buying. They sell discretionary items that people can live without. During a downturn, these businesses suffer the most.

Also, much of Shopify's revenue comes from customers using premium packages. Even those who survive may downgrade their subscriptions. I'm expecting the months ahead to be painful.

But what about its long-term prospects?

Interestingly, Shopify extended its free trial from 14 to 90 days. This could prove smart.

Imagine you're a small-business owner. You're looking for any lifeline to help you through the coronavirus lockdown. Why not try Shopify's 90-day trial? What can you possibly lose?

This could work a bit like the "Pepsi Challenge." Those who try Shopify will never go back to their old ways.

Will COVID-19 change shopping habits forever?

This is pure speculation, but it's worth thinking about.

When people experience a sudden shock, like the coronavirus, it's normal for habits to permanently change. (I often think of my grandmother, who grew up on WWII rations. She still keeps eight bags of sugar in the kitchen.)

Even if discretionary spending does return, it's unlikely to happen overnight.

Shopify may need to attract more *essential* businesses that people really need.

Personally, I can see many glimmers of hope. The Ontario Cannabis Retail Corporation (if you class cannabis as "essential") announced [it would use Shopify](#) for online sales.

You also have the millennial shopper to consider.

The Financial Times reported [millennials are now "the most powerful spenders."](#)

A recent study found 61% of millennials prefer to support local businesses. Their biggest reason was wanting to help the community. And Shopify makes it easier for local businesses to serve and market to these customers.

Shopify could offer you exposure to thousands of *local* brands that aren't trading on the stock market.

Is Shopify a buy?

I believe Shopify will do well over the long term.

If you can stomach the stress, you might consider buying now. However, I'd expect a bumpy road ahead, as its users struggle to stay afloat.

It's also worth noting that Shopify was a Wall Street darling before the crash. It was, in my opinion, ludicrously overvalued. Shares still look expensive, which is a worry if you believe [this market crash has only just begun](#).

Another concern is the bottom line. Despite phenomenal revenue, Shopify has struggled to generate real cash profits. It does have \$650 million of cash and cash equivalents, which, with careful spending, will hopefully see it through this crisis.

Its balance sheet is also in good shape, because it has sold shares to finance activities (rather than load up on debt).

However, I can't get past the valuation. As far as Shopify's stock price has dropped, I am, sadly, still kicking myself.

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

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