



At What Point Is Shopify (TSX:SHOP) a Buy?

Description

It happened. Who could have predicted it would be during the middle of a pandemic, but it happened. **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) surpassed a share price of \$1,000, and doesn't seem to be slowing down at all.

Analysts practically across the board warned investors that a market crash would see Shopify crash as well. The stock might have had a great run since its initial public offering (IPO), but surely that would come to an end with economic stress. After all, the company had never faced such a challenge.

But then the market crash came, and after falling to about \$500, the stock has since more than doubled that amount. As of writing, Shopify trades for a whopping \$1,074, leaving many investors wondering if they've missed the boat or whether this stock is still a buy.

So, at what price *is* Shopify a buy?

Why Shopify?

So why did Shopify stocks continue on an upward trend despite the pandemic and market crash? The simple answer: e-commerce. With the entire world facing restrictions, people have turned to online shopping in droves. Sure, everyone has tried e-commerce, but today is different.

Now, we practically have to. And the industry is still in its infancy, with analysts projecting huge growth over the next decade.

As for Shopify, merchants swamped the site in hopes of saving their businesses. If companies didn't have an online presence before, you should bet they sure do now. This became incredibly clear after the company announced its earnings report.

The company has a solid track record of beating its earnings — and this quarter was no exception. In fact, the company flew past analyst predictions to report year-over-year [growth of 47%](#)! Part of this was due to new store growth, which was up an incredible 67% thanks to new clients.

In total, earnings showed revenue of \$470 million, gross merchandise volume of \$17.4 billion, and adjusted net income of \$22.3 million. It seemed that across the board, everything was up.

So, should you buy?

This is where it gets tricky. While other businesses continue to suffer during this pandemic, Shopify seems to be an exception. Clients are convinced now more than ever to get an online presence.

But, once the initial wave gets online, what's left? Shopify might actually see a dry spell during the next quarter as the initial flood of clients slows to a trickle.

This means two things will happen. Sure, the company will continue to bring in revenue from merchant subscriptions. However, the money coming in from actual transactions will remain stagnant. This could also change thanks to Shopify's new app, but so far there are a few issues that will hopefully make it more user friendly in the future.

Bottom line

Even if it isn't right now, Shopify will be a solid buy in the future. Then, it's a solid long-term stock to buy and forget about. I've said in past articles that whether you buy it now or wait for a downturn, there isn't really a bad time to buy this stock. Shopify is still in its infancy.

It has so much more room to grow and seems to be taking on FAANG members as the next big thing in e-commerce.

So while I (and analysts) would [wait for another downturn](#), you really can't go wrong with this stock if you're willing to buy it and forget it.

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