Why Shopify Stock Is (Still) Surging Today

Description

Shares of **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP) continue to surge this week after the e-commerce company announced it would be connecting the Shopify store to the **Wal-Mart Inc.** Seller Account. It seemed as though the upward trend hit a barrier in the past month, with the share price falling from near $1,200 per share to $955 per share in the beginning of June.

However, with the announcement on June 12, shares surpassed the $1,200 mark, jumping 9% in one day and 21% in a week.

The move is a huge step for the e-commerce business. Up until now, Shopify may have wanted the large businesses, but there weren't any large brand names on board as of yet. The news means Shopify is setting up for the next step of its business. The days of "what if?" are over for any investor who thought Shopify couldn't keep up with its competitors.

What next?

So what does this news mean exactly for Wal-Mart and Shopify? The answer is twofold. First, Shopify will now be able to get a cut of the online shopping surge currently happening due to the pandemic. Shopify will then be able to add 1,200 Wal-Mart stores to its marketplace site.

Wal-Mart, on the other hand, will be able to expand its profitability within the U.S. e-commerce business. It means other companies like **Amazon** have a lot to worry about, as Shopify's millions of merchants will now have access to Wal-Mart customers.

The news is the latest in a trend of recent upgrades the company has been making. In May, Shopify connected with **Facebook Inc,** allowing retailers to import Shopify products onto Facebook's new Shops service. In April, Shopify launched its Shop app to allow shoppers to browse, purchase, and track shipping of its products from stores using Shopify.

Clearly, something is working. During its last earnings report, the company again announced an increase in revenue that surpassed analyst expectations. The company had total revenue of $470 million, an increase of 47% from the first quarter of 2019.

There was an increase of subscription solutions revenue of 34%, merchant solutions revenue growth of 57%, gross merchandise value growth of 46% — the list goes on. But there are a few things to keep in mind.

Rough road ahead

Shopify remains unprofitable. It also has a sky-high price to earnings ratio of 970 times. Analysts remain conservative, bearish, and most of all confused about the stock. While there have been big announcement — and big gains — a lot of it seems unsustainable until the company starts producing a profit.

That said, all of these big announcements will add up over time. With a company like Wal-Mart on board, profits are not far behind. It's likely that Shopify stock will continue to rise for the short term.

However, for long-term investors, it's likely you'll see a bit of a dip as reality sets in. But, it also means you should see big gains holding onto a stock like Shopify for decades. Especially as it seems to be perhaps taking over a company like Amazon.

Foolish takeaway

If you haven't already, during the next dip it might be time to buy at least a small stake in Shopify so you can lay claim to some of the glory. Shares of the company have grown an incredible 3,357% as of writing from its initial public offering.

In the last year, that growth has still been incredible at 180%. These triple-digit numbers could very well continue in the next year or so.

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