



## Should You Buy Shares of Shopify Inc. (TSX:SHOP) Before Earnings?

### Description

I recently read an article that stated Canadians' debt burdens were eased somewhat by government actions, which also encouraged spending. There were a couple of ways that Canadians spent their money: online shopping and real estate, especially in large urban centres.

### How does this affect Canadian online stocks?

Online spending was definitely [a boon](#) for companies like **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)), which exists solely as an online entity. This case is reflected in the current share price, which is now over \$1300 a share. The bullish case was taken up by investors as more and more small- and medium-sized businesses sped up their transition to online platforms like Shopify.

The movements of companies online were reflected in its Q1 2020 results. Revenue grew 47% for the quarter year over year. The company capitalized on the movement by providing incentives for shifting to its platform. It offered gift cards, extended 90-day free trial periods, and curbside pick-up options for its customers. In this sense, the company has performed admirably and is deserving of the huge revenue growth.

New stores jumped on the platform, increasing its presence by 62% during the worst of [the stock market crash](#). Merchants are also using its Shopify Capital offering for advances and loans. Subscription solutions also grew by the double digits at 34%. Shopify is successful at helping businesses access government cash.

### Should you buy or sell?

This is the question that many FOMO- induced investors are asking themselves today. I know I looked at it for a long time thinking it was overpriced. The thing is, I was right about it being overpriced. I was wrong, however, about how high the share price could go.

I think you can tell from my description of the company that I believe Shopify is an excellent company that has performed admirably in the face of the crisis. Its decisions were timely, and its results speak loud and clear. Unfortunately, everyone knows that the share price is ridiculous. Shopify is terribly

expensive. The downside risk is far greater than the upside risk at this point. This stock is not a buy on valuation at this point.

There is a final risk that a recession could be long-lasting and severe. If incomes are slashed considerably, even growth stocks like Shopify can't make money if the businesses using their platform lose customers en masse.

## The bottom line

Shopify's stock performed admirably over the past few months, so you should pat yourself on the back if you own it. I personally never thought it would shoot up like this. It is difficult for me to imagine, as someone more focused on value, that someone could pay up this much no matter how good the company.

Shopify reports tomorrow, so now might be a good time to lock-in some gains. It could shoot up a lot, of course. The tech market doesn't trade on valuation after all at the moment.

But it could also take a dive. If you held the stock for a long time, you could get all your money back and even make a few dollars by selling some.

### CATEGORY

1. Tech Stocks

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1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

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