



Shopify's a Great Stock — but Isn't Without Its Share of Risks Today

Description

As far as [Canadian growth stocks](#) go, there are few better options than **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)). Indeed, I'm still bullish on this stock. That said, this stock is still marred by a few risks that can be concerning for investors.

Here are a few key risks investors should consider with this stock today.

Potential for decelerating growth

Didn't Shopify absolutely blow out earnings estimates this past quarter?

Yes, it did.

Indeed, now may be a silly time to talk about a deceleration of growth for Shopify. Indeed, this is a stock that investors have been talking about slowing growth for a long time. It's never materialized.

In fact, this past quarter was one investors were pricing in some sort of growth miss in. The fact that Shopify blew away analysts' expectations has washed away many of the concerns around deceleration, for now.

However, I think investors with a truly long-term investment thesis need to consider the possibility that at some point, growth will slow. And I'm very bullish on Shopify's growth potential.

However, this *does* pose a risk. Triple-digit year-over-year growth rates can't continue forever. And at some point, Shopify will be too big to grow at this pace.

Accordingly, investors need to think about what happens when slower growth eventually materializes. For now, this risk may seem to be non-existent. However, for long-term investors, the company's long-term growth rate is the key variable in the valuation model that matters. This is an issue that can't be ignored.

Valuation has continued to climb

I think Shopify's worth its pricey valuation. However, it's hard to ignore how expensive Shopify stock is.

Indeed, a company traded at dozens of times sales is one most fundamentals-oriented investors won't touch. Given the ability of growth stocks to continue to surge of late, fundamentals haven't been as important to investors as they otherwise might be in different markets.

That said, I'm a believer that fundamentals are everything. While I've modelled out Shopify, and it appears the company can grow into its valuation, aforementioned concerns around the potential for slowing growth is something that keeps me up at night. Accordingly, I can understand the fact that it's hard for many long-term investors to jump aboard the Shopify growth train.

Bottom line

Shopify's a pure growth play. This stock has been one of the best performers over the past decade, and by all accounts, is set up for some impressive growth in the coming decades.

Accordingly, given Shopify's recent earnings results, I'm less concerned about its valuation than I have been in the past. For long-term investors seeking a high-leverage growth play, Shopify is about as good as it gets on the **TSX**.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. growth
2. growth stocks
3. investing
4. market
5. Shopify
6. Shopify Stock
7. Stocks
8. tech stocks
9. technology
10. technology stocks
11. tsx growth stocks
12. tsx tech stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Tech Stocks

Tags

1. growth
2. growth stocks
3. investing
4. market
5. Shopify
6. Shopify Stock
7. Stocks
8. tech stocks
9. technology
10. technology stocks
11. tsx growth stocks
12. tsx tech stocks

Date

2025/06/29

Date Created

2021/04/30

Author

chrismacdonald

default watermark

default watermark