



Shopify Stock Jumps 10% on Tuesday: Time to Buy?

Description

Shares of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) closed up 10% on Tuesday. This comes as the company announced on Wednesday it would release its second-quarter earnings report on July 27.

What happened?

Shopify stock climbed as [tech stocks](#) in general saw a rally on Tuesday after the holiday in the United States. The climb was the biggest single-day growth the company had seen since May, ending the day at \$44.36.

[Shopify also announced](#) the company would be delaying a compensation overhaul for its employees. The fall in Shopify stock has led to major challenges for the company, as it continues to try and spread out its fulfillment centres. Therefore, the previously announced plan in April has been pushed back.

The new compensation packages, set to be released this summer, would give employees more flexibility in how much of their salary will be paid in stock and how much will be in cash. Clearly, with shares falling, Shopify stock no longer wants to miss out on a further share drop — even as employees see their salaries decrease thanks to the plummeting price. Packages may be reviewed in September at the earliest.

Continued climb Wednesday

Still, Shopify stock remained slightly steady on Wednesday at market open. However, it's still down from the all-time high of \$222.87 (adjusted for the recent 10-to-1 stock split). And while there are rumours the company could potentially continue laying off employees, there are no major plans to increase earnings.

Yet if you're an investor looking for growth from e-commerce, then analysts still recommend the company as a long-term hold. Analysts expect the company to hold the market share of merchants and overall commerce in Canada, if not globally one day. Yet in the meantime, the rollout of its fulfillment

network will put a major damper on earnings and free cash flow.

Fairly valued, for now

Time will tell what happens when Shopify stock comes out with its earnings report at the end of this month. For now, the company is set to market perform given the continued volatility with tech stocks. That coupled with the weight of free cash flow hit by fulfillment and investing in acquisitions makes it perhaps fairly valued, with a slight discount at today's prices.

The consensus target price for Shopify stock now sits at about \$63 as of writing. That's a potential upside of 43% at current levels. But the stock remains expensive, trading at 235 times earnings. Still, it trades at a debt-to-equity ratio of 0.1, so it should certainly be able to cover losses should things go sideways.

Now what?

If you're a big believer in the future of e-commerce, Shopify stock looks like a great hold. But if you're hoping that the company is going to suddenly start filling you in on everything it has planned, think again.

Shopify stock has a history of remaining guarded when it comes to its guidance. And that's unlikely to change come the next earnings report. There is certainly going to be growth once this market correction is over. But it remains unclear whether share prices will ever reach that \$222 share price ever again.

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