



Is Shopify (TSX:SHOP) Stock the Right Investment for You?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) shares have risen almost 17% in the past month with a 52-week gain of over 180% in share price. Is this part of an extended growth period for the online retailer, or is its [bubble about to burst](#)?

Moving to diversify

Shares in Shopify have risen over the last 12 months due in part to its expansion outside the traditional retail market. With the launch of Shopify Studios last year, Shopify made the move to start producing its own multimedia content, which includes original short- to mid-form content and weekly video series.

With sales this past year exceeding \$1 billion, based in part on Shopify's partnership with **Snap's** Snapchat app, which allows merchants to buy and deliver Snapchat story ads directly on the Snapchat platform. When you combine this with the Government of Ontario's decision to have Shopify handle both online and in-person cannabis sales, Shopify is showing itself to be a major player in the e-commerce industry.

With the acquisition in May 2019 of Handshake, a business-to-business Shopify has made the move to expand its dealings outside the retail market and into the wholesale commerce market between businesses.

The Shopify Exchange Marketplace is another way in which Shopify is differentiating itself from its competitors. Through the Exchange Marketplace, potential business owners are able to purchase an already existing store after agreeing with the seller on a price. The money is placed in escrow using a secure third party until both parties are satisfied with the terms of the sale. Shopify has partnered with Escrow.com to ensure that both the buyer and seller are protected during the transaction.

Purchasing an existing online store can save a buyer the hassle of doing the legwork of getting their retail site up and running, and while there is a price attached to the acquisition, this could end up saving a savvy entrepreneur all the time they could be devoting to other aspects of their business.

Increasing market

Shopify's Q4 earnings report on February 12 revealed Q4 earning of \$505.2 million, an increase of 47% over the same quarter from a year ago and well ahead of the expected 40% increase that had been predicted. This is due largely to the ease of merchants to adopt Shopify Payments, Shopify Capital, and Shopify Shipping.

This ease led to Shopify merchants achieving \$2.9 billion in sales over the Thanksgiving long weekend, up 61% over the previous year.

It should be clear that Shopify's expansion into new markets, and the continuing trend of merchants to adopt new technologies such as Shopify Payments, a platform that allows you to manage your online payment gateways, will allow the company to continue its growth well into 2020 and beyond.

As younger consumers continue to move their spending to online platforms, Shopify seems poised to not only offer extensive opportunities for purchasers but also the retailers who want to take advantage of e-commerce opportunities. Younger consumers have come to expect the same immediacy offered by store-based retail in their online experiences, and Shopify is a tool that allows retailers to capitalize on this.

Opportunity

With the rapid increase in share price over the last year, Shopify's shares (trading at \$654.53 as of Monday) are currently very highly valued, especially considering a negative net earnings report from 2018. Undoubtedly, we can expect big things from this company in the future, but the present market valuation of \$73.8 billion on expected earnings of \$1.5 billion makes this stock a buy only for the aggressive investor.

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1. Investing
2. Tech Stocks

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