



## Could Shopify Inc. Once Again Trade at the \$100 Level After the Facebook, Inc. Fiasco?

### Description

A broad-based selloff in technology stocks has begun, and investors and pundits alike are continuing to assess how much of the potential total damage has been incurred in recent weeks. The highly publicized mis-use of public information by **Facebook, Inc.** (NASDAQ:FB) has invited a flurry of interest into how firms and outside entities use social media to further their interests. It appears Canadian tech company **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) has not been immune to this scrutiny.

Citron Research's analyst Andrew Left has made it his mission to highlight the shortcomings of Canadian tech darling Shopify for some time. In October, the short seller issued his bearish thesis on the provider of e-commerce solutions to small and medium-sized businesses (SMBs), highlighted issues with how the company reports (or does not report) [churn](#) within its SMB customer base. Mr. Left has taken issue with Shopify again, citing his belief that the firm should be trading around the \$100 level on this news, which begs the question: just how safe is an investment in Shopify today?

It appears that the recent Facebook/Cambridge Analytica scandal has provided yet another opportunity for Mr. Left to step in and criticize the company's business model, citing Shopify's reliance on entrepreneurs who use Facebook as a key marketing tool to be not as solid as once believed. As fellow Fool contributor Joey Frenette has recently [pointed out](#), a 37-times sales valuation multiple combined with allegations of an "unholy alliance" between the two tech companies could spell problems for Shopify, which has seen its share price continue to increase at a parabolic rate recently.

### Bottom line

My outlook for Shopify has been bearish over the past year despite the rise in the company's stock price and an unwavering and supportive investor base that continues to support a climbing valuation multiple. I do not necessarily believe that Shopify's business model is broken, nor do I believe that a downturn will happen overnight. That said, relative to its peers, I think the company has a higher risk of market shocks that have yet to present themselves, putting investors who are injecting fresh cash into this company at higher risk than they're aware of.

Market sentiment for growth companies is approaching an all-time high. With sectors such as cannabis and cryptocurrencies glorifying the growth-oriented investor who seemingly ignores fundamentals, my take is that the ending will not be so rosy for investors willing to look past valuation multiples in the medium to long term.

We may be a ways away from the next bear market; however, I would encourage investors to focus, more than ever, on fundamentals overgrowth.

Stay Foolish, my friends.

## CATEGORY

1. Investing
2. Tech Stocks

## TICKERS GLOBAL

1. NASDAQ:META (Meta Platforms Inc.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:SHOP (Shopify Inc.)

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