



Here Is Why Shopify Inc. Stock Won't Rebound Soon

Description

Amid a general sell-off in the large-cap technology stocks, investors are wondering which stock is better positioned to withstand the storm generated by data breaches and government scrutiny.

The answer to this question is not simple. Among the large technology names, I can see **Apple Inc.** and **Microsoft Corporation** faring better because these companies sell real products and services and don't rely on monetizing consumer data.

But what about Canada's e-commerce platform provider, [Shopify Inc. \(TSX:SHOP\)\(NYSE:SHOP\)](#), whose merchants use social media channels to promote their products?

Shopify's e-commerce platform helps merchants run their businesses across a variety of platforms, including web, social media storefronts, and brick-and-mortar pop-up shops. It assists merchants in managing products, processing orders, and analyzing customer trends.

Taking advantage of this uncertain outlook for technology stocks, famous short-seller [Andrew Left](#) attacked Shopify again, saying that Shopify and **Facebook, Inc.** (NASDAQ:FB) have an "unholy alliance," based on the exchange of personal information collected by Facebook and sold to Shopify "entrepreneurs."

"Rocked to the core of its business model, Facebook has no choice but to take away Shopify's punch bowl," Left said in a note. "As the scope of Facebook's severe privacy problem gets exposed, Facebook has no choice but to drastically revamp how it sells data – data about you and your personal behaviours."

Social media giants have been hit hard since the revelation that Cambridge Analytica gained unauthorized access to up to 87 million Facebook users' data, mainly in the U.S.

Facebook's Chief Technology Officer Mike Schroepfer disclosed this figure in a blog post on April 3 that also laid out a slew of changes Facebook is making in order to restrict access to user data.

“In total, we believe the Facebook information of up to 87 million people—mostly in the U.S.—may have been improperly shared with Cambridge Analytica,” Schroepfer wrote.

The data breach, which allegedly helped President Trump in his 2016 political campaign, has significantly increased the threat of government regulations that may make it tough for social media companies to monetize the data they collect from their users.

Reacting to this latest attack by Left, who in October blamed Shopify for misleading investors about its business potential, a Shopify spokesperson told CNBC, “It’s incorrect to say that our merchants’ success is tied to Facebook and its data. Shopify offers the technology for businesses to sell on their own websites, in retail stores, on marketplaces and on social channels like Facebook and Pinterest. The power of our platform is that we offer one interface for merchants to sell anywhere and everywhere,” the Shopify spokesperson continued.

The bottom line

During the past month, Shopify stock has fallen 15%, underperforming other tech names. This reaction in the market suggests that investors are painting all tech stocks with the same brush, and it’s very unlikely that Shopify stock will rebound in the near-term unless we see another blockbuster quarterly earnings report.

Trading at \$153 a share at the time of writing, Shopify is down 32% since reaching a record high in March. If you have the stomach for high risk, then this level looks attractive to me. I don’t see any major threat to Shopify business from the Facebook fallout.

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