Time to Buy Shopify Inc. (TSX:SHOP) on the Dip After the "Tech Wreck?"

Description

The recent **Facebook**-induced "tech wreck" served as a huge wake-up call to investors who may have gotten overly greedy with frothy tech plays like **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP), whose stock crumbled like a paper bag amid the industry-wide turmoil, shedding nearly 20% of its value in just a few trading sessions.

If you're looking for bargains in the tech space after the recent carnage, then you've got the right mindset. There are plenty of unfairly battered growth names that have absolutely nothing to do with Facebook and its unique set of problems.

Moreover, the growth to value stock rotation may very well be over. So, if you've got a severely punished tech name on your watch list that's dropped below your "buy threshold", now may be a good time to pull the trigger, even though your emotions may be telling you to "move the goal posts lower," as *Mad Money* host Jim Cramer put it on Monday after the closing bell.

Could Shopify drop-ify further?

As Canadians, naturally it makes sense to give Shopify a second look after its entry into bear market territory thanks to Facebook and an underwhelming quarterly report that looked to have exacerbated the sell-off and the negative sentiment of investors.

Moreover, you can't help but notice the unfortunate timing of the sequence of negative events that Shopify has had to deal with.

Frankly, I'd be surprised if Andrew Left didn't return with more bearish statements or another short report to further exacerbate Shopify's drop. Left is an activist short seller who's known for rubbing salt into the wounds of the companies he's shorted, and although Shopify has had the upper hand thus far, Left isn't backing down, and he very well may get his way if worse comes to worst.

Although the 5.55% drop was suggestive of an abysmal quarter, analysts at **Canaccord Genuity** noted that the quarter was "solid" and that the decline was unwarranted.

“This was another solid quarter for Shopify as the firm grew its nearly $1 billion revenue run-rate at 62% in the quarter.” the analysts said. “The bottom line is that we don’t ascribe to the notion that growth is decelerating faster than expected or that merchant churn is going to sneak up and bite Shopify.”

That’s an upbeat tone, so is Shopify really unfairly battered and a victim of the recent “tech wreck,” or could Andrew Left’s prediction finally be coming to fruition?

Earlier last month, I’d warned investors that Shopify stock was overdue for a correction, mainly because of the stock’s overvaluation, evidence of slowed growth, and unrealistic expectations put forth by investors. It also didn’t help that Absurd Research came out with a bearish report, which, I believe, strengthens Andrew Left’s bearish thesis. Absurd noted that Shopify is a “massive churn factory” that’s “going be hit by Facebook hard.” That’s got to make Shopify shareholders a bit uneasy!

Foolish takeaway

After losing a fifth of its value, Shopify stock still isn’t cheap, even by tech’s standards. Moreover, the uncertainties with regards to churn and slowed merchandising volume growth for the quarter are concerning.

Although Canaccord believes that Shopify stock is unfairly punished and is, therefore, a buy on the dip, I’d urge investors to exhibit caution by comfortably taking a seat on the sidelines.

Stay hungry. Stay Foolish.

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