



## Why Shopify's Latest Decline Is Nothing New for the Stock

### Description

Toward the end of August, **Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)) was trading at more than \$540 a share. Last week it fell as low as \$381 for a decline of nearly 30% in the span of just one month.

It's a huge drop for the stock, but as bad as it was, the problem is that this isn't exactly new territory for the stock; Shopify has been prone to big drops in value.

Although there was no earnings report or negative press that would have explained the large sell-off, the reality is that Shopify investors always need to be prepared for shocks to the share price.

The stock has achieved such significant gains this year that it'll be tempting for some investors to cash out. It's especially true because the stock is also heavily overvalued.

With no profits in sight and sales rising at a decreasing rate, there are plenty of flags for investors for a stock that trades at more than 20 times its book value.

### Shopify has proven to be very fragile

This latest decline for the stock is concerning, but it's unfortunately, something investors have to be prepared for. About two years ago, short-seller Andrew Left released a [scathing report](#) about Shopify, criticizing its business model and referring to it as a "get-rich-quick-scheme."

Despite the holes in the theory and a potential bias for a short-seller to see the price of Shopify fall, it didn't stop investors from selling their shares.

On October 2, prior to the report being released, Shopify closed at just under \$149 a share at writing. By October 10, after investors had days to process the report, Shopify closed at over \$115 for a total decline of 23% in a span of just days.

While the fall in price was not as big as this most recent one, it definitely was a lot steeper, as it happened in a shorter period.

That also wasn't the only time that Left was critical of Shopify, however. Back in early 2018, we saw Shopify tumble as Left alleged that the company was [too dependent on Facebook](#) and that the problems plaguing the social media site would be bad news for Shopify. The stock would proceed to fall in price as a result of that criticism as well.

The good news for investors is that Shopify has been able to overcome the incidents and emerge even stronger.

## Bottom line

When investing in Shopify, investors need to be cognizant that these sudden sell-offs can happen quickly and without warning. All it takes is one large shareholder to decide to sell their shares, leading to a big sell order that could trigger stop losses and cause a significant decline in price.

It's one of the dangers of investing in a company that's risen so sharply in price and that could be overdue for a correction.

However, investors also shouldn't assume that just because Shopify rebounded in the past that it will return to its previous highs.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

### Category

1. Investing

### Date

2025/08/21

### Date Created

2019/10/02

### Author

djagielski

default watermark

default watermark