Shopify (TSX:SHOP) Stock Is Down 30%: Is Now the Time to Buy?

Description

Shopify (TSX:SHOP)(NYSE:SHOP) is the undisputed king of Canada's tech sector. This $47 billion e-commerce juggernaut has returned 1,346% to its investors since its IPO in May 2015. Not since Nortel two decades ago and **BlackBerry** more recently has a tech company garnered this much excitement and Canadian pride!

With shares of Shopify down 30% since hitting an all-time high of $543.76 in August, is it time to buy?

Here are two compelling reasons that suggest now is the perfect time to add Shopify to your holdings.

Shopify welcomes U.S. merchants to sell CBD products

According to research firm BDS Analytics, sales of hemp-derived cannabidiol (CBD) products in the U.S. will balloon to $20 billion by 2024. In 2018, this market totaled $1.9 billion. That's an increase of 1,000% over a six-year period!

Over the past two years, Shopify has developed relationships with Canadian beauty and wellness brands that sell CBD products. In September, Shopify welcomed U.S. merchants that sell CBD products in states that allow it to sell CBD products on its platform. This gives U.S. clients the chance to introduce CBD products to their customer bases.

Shopify provides its users a single platform to design, set up, and manage their stores across multiple sales channels. These channels include social media, mobile sites, pop-up shops, and traditional brick-and-mortar locations.

Shopify ramps up fulfillment services

Shopify has recently taken two steps to ramp up and improve its fulfillment services.

In June, Shopify introduced the Shopify Fulfillment Network. This network was designed to improve on-time deliveries, reduce shipping costs, and provide a better experience for the platform's merchants and their customers.

Last month, Shopify announced its plans to acquire 6 River Systems. The company maintains cloud-based software and collaborative mobile robots operating in more than 20 facilities in the U.S., Canada, and Europe. As part of the deal, 6 River Systems will continue to build and sell its warehouse solutions.

If things are so great, why the drop in the stock price?

In the past few months, it seems market sentiment has shifted. After a decade during which investors favoured growth stocks over value stocks, the pendulum may be beginning to swing in the other direction, where investors favour value over growth.

Still, Canadian investors naturally tend to support Canadian businesses. And there aren't a lot of choices of high-growth tech stocks in the Canadian marketplace as compared to the U.S.

The bottom line

There is no doubt that Shopify has a high valuation of its stock price; however, the potential growth over the next few years justifies its lofty price.

With continued smart acquisitions, Shopify has the potential to double sales in the next decade. While investors may be shifting their preference to value stocks, growth stocks should be a part of a diversified portfolio.

Some members of *The Motley Fool* team have even speculated that Shopify is an acquisition target by the likes of **Amazon**, **Microsoft**, or **Facebook**. Shopify aims to provide the best technology and doesn't rely on being the market leader through the largest inventory or best pricing. This makes the platform attractive to larger competitors.

Regardless if you believe that Shopify is an acquisition target or just a great company, investors should use a pullback in the share price to add Shopify stock to their portfolios.

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