



Why the Shopify (SHOP) Stock Price Fell More Than 3.5% in February

Description

Shopify Inc. ([TSX:SHOP](#))([NYSE:SHOP](#)) got hit in February (down more than 3.5%), but nowhere near as hard as the **S&P/TSX Composite Index** (TSX:OSPTX), which fell more than 7%. So why did Shopify stock price fall?

The stock fell as it traded in sympathy with the rest of the market off of coronavirus fears and the expected effects on economic growth. Company-specific news was good in February, which supported the stock somewhat, albeit that did not stop the stock from losing ground in February.

Shopify stock price fell in February as coronavirus fears spook the market

No analysis of stock price performance in February would be complete without addressing the elephant in the room; the spread of the coronavirus, which has caused stock markets to get pummelled. But while investors were in fact [triggered by coronavirus fears](#), these fears compounded on fears already present in an increasingly nervous investor population as one of the most spectacular bull markets in history continued its rise.

Today we are left standing in what feels like will become ruins if this decline keeps gaining steam. There is a silver lining, however. I see this weakness as setting up what may be one of those rare chances for investors to buy quality companies at cheaper, more attractive stock prices, which is why I'm working on identifying stocks to buy.

Shopify stock: lofty valuation leaves it vulnerable

Trading at a price to sales multiple of more than 30 times, Shopify stock looks to be priced for perfection in what has certainly been a company deserving of all the excitement and accolades.

The high praise notwithstanding, [stocks trading at lofty valuations are vulnerable in a market fraught with fear and nervousness — t](#)

he sentiments dominating the market today.

But when this market correction is over, we will be left standing with a company that has transformed the e-commerce space — and that is presumably trading at much more attractive valuations.

In short, we may be left with a bargain in Shopify stock. With annual revenue of \$1.6 billion, Shopify is quickly becoming the leading operating system for e-commerce. With plans for future expansion of areas such as fulfillment, point-of sale transactions, and internationally, Shopify shows no signs of stopping.

Shopify stock price rallies on better-than-expected quarterly results

Somewhat justifying Shopify stock's valuation, we have the company's strong growth, which has exceeded expectations again in the latest quarter. Fourth-quarter 2019 revenue increase 47% versus last year, off strong merchant adds and strong growth in gross merchandise volume, capping off another exceptional year for this company that is transforming e-commerce.

Additionally, the growth rate is accelerating, as last quarter, Shopify's revenue increased 45%.

Shopify stock price rallied after the release of these results on February 12, but as the month progressed, general market weakness dragged the stock down with it.

Foolish bottom line

For all those investors who have been nervous to buy Shopify stock due to lofty valuations, add the stock to your watch list, as the time when Shopify is trading at discount valuations seems to be fast approaching.

If the market continues to fall, we will see many quality stocks emerging as bargain stocks ready to be snapped up by the nimble and intentional investor with a plan to make money off of this carnage.

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2. Tech Stocks

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