



## Market Crash Alert: Shopify (TSX:SHOP) Stock Just Plunged 34%

### Description

The ongoing bear market has driven the stock prices of several companies lower. Shares of high-growth stocks including **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) have underperformed broader indexes. Shopify stock is trading at \$553.94, which is 34% below its record high of \$786.07.

The COVID-19 pandemic has decimated the equity markets, as consumers have reduced spending drastically. Businesses and companies have been shut due to the enforcement of lockdowns and social-distancing protocols.

Growth stocks that trade at higher valuations have seen a massive drop in market cap in the current sell-off. While these stocks crush market returns in a bull run, they also grossly underperform the broader markets in a downturn. Investors are sweating over the falling top-line metrics of companies, wiping off billions in market value.

Last week, Shopify provided an update relating to the impact of COVID-19. Shopify confirmed that it experienced strong business momentum in the first two months of 2020, which will help it report revenue and adjusted operating income in line with or ahead of the forecast provided during the last earnings call. Shopify forecast revenue between \$440 million and \$446 million in the March quarter.

However, the company has [suspended its guidance](#) for the rest of 2020 given the uncertain economic environment. For 2020, Shopify forecast revenue between \$2.13 billion and \$2.16 billion.

### Shopify remains a top growth stock

Investors need to brace for a few tough months, as equity markets will remain volatile in the near term. However, for long-term investors, Shopify [remains a solid bet](#). The company went public back in May 2015 and has since returned a staggering 2,200% since then. Between May 2015 and February 2020, it gained close to 3,400%.

The stock was driven higher by solid revenue growth metrics. Shopify sales have risen from US\$205.2 million in 2015 to US\$1.57 billion in 2019. In the fourth quarter of 2019, sales grew by 47% year over

year to US\$505.2 million.

A stellar rise in subscription revenue will help Shopify maintain a recurring revenue stream in a recessionary environment or economic downturn. Its monthly recurring revenue has increased from US\$7.4 million in the first quarter of 2015 to US\$53.9 million in the fourth quarter of 2019 — a compound annual growth rate of 52%. In the December quarter, subscription sales rose 37% to US\$183.2 million and accounted for 36% of total sales.

Shopify continues to grow its gross merchandise value (GMV) at a fast pace. GMV rose from \$US7.78 billion in 2015 to US\$61.1 billion in 2019. In Q4, GMV rose 47% to US\$20.6 billion.

Shopify remains confident of the expanding addressable market in the e-commerce space. It is the second-largest e-commerce player in the U.S. with a market share of 5.9%. The top player is **Amazon** with a share of 37.3%. Other top e-commerce companies include **eBay**, **Walmart**, and **Apple** with shares of 5.7%, 4.7%, and 3.8%, respectively.

Shopify should benefit from its engaged and expanding partner ecosystem, which will help drive top-line growth in the upcoming decade. Shopify stock continues to trade at a premium valuation. It has a market cap of US\$45.63 billion, which is 29 times 2019 sales. But this valuation is supported by the company's enviable growth opportunity.

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