



Shopify (TSX:SHOP) Stock Has Declined: Worry for Investors?

Description

In May 2020, tech giant **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) climbed to \$1,206.08 per share to become the most valuable company on the **Toronto Stock Exchange**. While the broader economy has suffered drastically due to downward pressure from the [pandemic-fueled lockdown](#), Shopify remained a shining example of impervious tech stocks.

It seems that the stock's refusal to decline even a little bit was still only an illusion. The stock has recently begun to trend lower. At writing, Shopify has fallen by around 16% from its record-breaking peak in May.

Is this a time for tech investors to jump in on the dip and become a part of its next rally? Or we will see further correction in Shopify?

Today I will discuss the situation with Shopify right now to help you better understand.

Second-biggest tech company in the world

The only other company more substantial in the world of e-commerce right now is Jeff Bezos' **Amazon**. At some point in the future, the e-commerce store might be set to make Bezos the world's first trillionaire

Shopify returned investors 50% in 2018, 170% in 2018 and returned 124% from the beginning of 2020 until its peak in May. It might not be surprising to see the stock decline after an almost unbelievable rally in recent years. Even a fall of more than 20% will not justify Shopify's financial performance during its rally.

Still a high-growth stock

That said, Shopify still has tremendous potential for growth. The dip could be a lucrative opportunity for investors to buy shares of the stock for a lower price before it rallies again. Investors can take a more cautious approach by gradually increasing their holdings in the tech stock rather than buying shares in bulk.

There is no ruling out a further decline, and a one-time investment could decimate investor capital.

If you have been a Shopify investor for the past several years, it can certainly continue to generate more wealth for you. The e-commerce market continues to expand — and so does Shopify's capacity to grow. It is powering more than a million businesses throughout the world due to its platform.

The pandemic has forced businesses of all sizes to accelerate the migration to the e-commerce sphere. In the last five years, the stock has grown 100% compounded annually. Its revenues have increased by 70% in the same period.

While Shopify might not have it in itself to replicate the same rate of growth over the next five years, it can still grow by a substantial margin. Shopify's top-line growth might decline gradually over the next decade, but the tech company can see considerable revenue growth moving forward.

Shopify is already ahead of the curve when it comes to adapting to changes in the world. It is launching new products that highlight its aggressive growth strategy. Shopping trends around the world are changing as more people shop online. The lockdown has increased sales on digital platforms. All of this is benefitting Shopify.

Foolish takeaway

The Shopify stock has been growing in value far faster than its revenues can justify for a long time. In 2019, the stock continued to skyrocket despite a decrease in its profits in 2019 compared to 2018.

For investors who already own shares, I would suggest holding on to your investment. If you are an investor considering the stock due to its lower price, [invest cautiously](#) in the stock rather than going all out.

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