



## \$10,000 Invested in Shopify Stock During the COVID-19 Market Crash Is Worth This Much Today

### Description

Investors generally view stock market crashes as scary events that shouldn't happen during their investing lives. However, contrarian investors see these infrequent but significant dips in share prices as the best opportunities to buy great companies at beaten-down prices. A rare buying opportunity in **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock presented itself on March 16, deep into a COVID-19 market crash. The TSX tech firm's stock price has soared since then.

### A rare buying opportunity in Shopify stock

Shares in Shopify have always traded at very high valuation multiples typical of a high-quality technology growth stock. However, the share price fell 33% within nine trading days to a low of \$458.52 per share on the TSX between March 4, and March 16, 2020.

Investors exited the stock market in droves, as fears of a ravaging COVID-19 pandemic grew. Their faith in the market was severely tested, and weak hands bailed out on anything risk-associated. Negativity ruled the news headlines. Long-term, focused investors saw a rare buying opportunity into the emerging e-commerce tech giant's business, just as short-term, fixated, risk-averse investors ran for cover.

However, sentiment quickly turned positive in late March, as investors realized SHOP is one of the few best-placed e-commerce enablers to benefit from a lockdown economy. The company's share price has been hitting new all-time highs since then.

The tech firm indeed saw tremendous business growth during the early days of the pandemic. Average daily orders grew 176% during the six weeks to April 24, coinciding with the introduction of physical-distancing measures. Brick-and-mortar merchants increased their platform usage more than 10 fold for local orders.

"These are unprecedented times. This is going to be one of the most challenging chapters in all of our

lives. But entrepreneurs are the kind of people who make the most out of what they've got. They're the people who can see opportunity when everyone else sees despair," the CEO of Shopify, Tobi Lütke, said on May 20 this year.

A rare opportunity was there for entrepreneurial-minded, contrarian investors to own a stake in the innovative e-commerce company. Last month, management launched new products to aid small businesses in coping with the demands of a pandemic environment. The business will grow by solving client problems.

## How much would \$10,000 invested in Shopify stock be worth now?

If you had spent \$10,000 buying new SHOP shares on the dip on March 16, you could have bought about 22 shares at around \$458 per share. Fast forward to June 22, the closing price on the stock was \$1,225 per share. The investment would have appreciated by 167% to a staggering \$26,950 balance in three short months.

## Could there be a similar dip in SHOP's stock price?

The fear of missing out (FOMO) on a multibagger stock is always real. FOMO can be a recipe for disaster on highly appreciated assets.

I wouldn't chase Shopify stock at today's elevated valuation levels. The company is already Canada's largest firm by market cap at over \$140 billion after surpassing **Royal Bank of Canada** recently. All the future growth potential is fully priced into the current share price considering a forward enterprise value-to-sales multiple of 44.5 times and a forward P/E ratio of 306 times.

That said, market prices are always volatile. There's the potential for a second or third COVID-19 pandemic wave. However, Shopify is an e-commerce enabler. Small businesses are rapidly embracing e-commerce to survive lockdowns. Its shares may prove defensive.

First-quarter revenue during the first quarter of this year grew by a strong 47% year over year. New stores created on Shopify's platform grew 62% between March 13, and April 24, as compared to the recent prior six weeks before the health pandemic. The number of first-time shoppers on the platform increased by 8% during the same period, and the number of customers who purchased from platform merchants increased by 45%. Such numbers helped sustain the share price growth momentum post the first-quarter earnings release on May 6.

The market pays top dollar for a stake in such a promising e-commerce giant, especially as the company remains innovative. I don't expect the share price to come down to anywhere near \$500 a share any time soon.

[I would still hold onto the stock](#), but new money could be better deployed on newer, promising opportunities.

### CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

## **TICKERS GLOBAL**

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

## **PARTNER-FEEDS**

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

## **Category**

1. Coronavirus
2. Investing
3. Tech Stocks

## **Date**

2025/08/10

## **Date Created**

2020/06/23

## **Author**

brianparadza

default watermark

default watermark