



Shopify Stock Is on Sale: 15% Off! Why Getting in Now Might Not Be a Bad Idea

Description

Since its 52-week high earlier this year, shares of e-commerce giant **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) are down roughly 15%. This stock's underperformance relative to other growth stocks has taken many by surprise.

However, in some ways, I don't think this is surprising at all. Shopify is a stock trading at a premium multiple that is far in excess of what we're used to seeing on the TSX. This is perhaps the most perfectly priced stock anywhere in the world right now, so any inkling of anything that could potentially go wrong could take this stock price lower in the near term.

Considering the dip we've seen in Shopify stock, investors have to wonder if more volatility is on the horizon. That said, I'm going to make the argument that this is a stock that has the potential to continue its meteoric rise this year. Therefore, buying the dip and picking up the 15% discount on this stock could be a great play long term.

Growth catalysts are showing no signs of slowing

The growth thesis with Shopify is one I can't argue with. This is a company which is well positioned to take advantage of a number of growth catalysts and secular trends I don't see slowing for decades. The transition away from brick-and-mortar retail to e-commerce has only just begun. Small- and medium-sized enterprises (SMEs) need a platform that can handle all their integrated business needs. Shopify's business model has expanded to become so integrated within the SME market segment that it's competitive advantage (or, as Warren Buffet would say, it's "moat") has continued to grow wider each and every day.

These catalysts won't abate any time soon. Those looking for a reason to trim or sell this stock have to think hard about doing so right now. I do think there is some significant valuation risk built into this company right now. That said, if we see another string of earnings beats and outperformance on the top and bottom lines, this is a stock that is very likely to [continue its march toward \\$2,000 per share](#).

Product superiority has generated an impressive competitive advantage

Shopify's product offering is world class. The company's integrated e-commerce platform is probably the best thing since sliced bread. This has led to a very low churn rate, and has bolstered the company's stock price substantially throughout the pandemic. This is not something I expected. However, this is exactly what the company has been banking on since day one.

Shopify's customers are unlikely to switch to another platform, providing cash flow stability unlike what I expected to see recently. I think there's actually an element of defensiveness built into this stock on the basis of its competitive advantage — product superiority. Until another company comes out with a better platform, Shopify will be the company to beat. This has proven to be a very, very high bar.

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