



Shopify Stock: Has All the Low-Hanging Fruit Been Picked?

Description

I've been extremely bullish on **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) recently. Indeed, Shopify stock is a world-class company and a Canadian tech darling.

Here's why the market may be thinking the best days are behind Shopify right now.

Recent earnings cast doubt on future growth for Shopify stock

In the company's recent earnings report, Shopify made it clear the company didn't expect its 2020 pace of growth to continue long term. Indeed, this shocked the market. And rightfully so. However, any company looking to keep up with year-over-year growth approaching 100% (a doubling) is going to find that a hard bar to pole-vault over.

Additionally, Shopify's team pointed out that it's going to be strategic (and, importantly, slower) in targeting new markets. This is certainly prudent. Doing too many things at one time is what killed dynasties. Rather, taking a slower approach to growing internationally appears to be in the crosshairs for Shopify's management team right now. I think it's a good thing. The market has disagreed in recent days.

Furthermore, comments made by Shopify's management team that the post-pandemic economic reopening could be cause for slower growth is another tidbit the market is digesting right now.

These are certainly not positive risks to think about. But they're risks. A sell-off is certainly warranted given this information. That goes double for any stock that is priced to perfection, as Shopify is.

It's a marathon, not a sprint

Investors who thought the acceleration of Shopify's growth rate was sustainable over any extended period of time were kidding themselves. In reality, investing is a marathon. Shopify's been sprinting in recent years.

That said, Shopify has been sprinting at a speed the market has appreciated. This has resulted in rapid stock price appreciation, which Shopify has gladly taken advantage of. As good managers, Shopify's management team has been intelligently [tapping equity markets](#) for financing in lieu of raising debt.

I think investors need to consider the idea that Shopify may move from a sprint to a trot sooner than expected. The degree to which Shopify trots along faster than the market is what needs to be assessed.

Conclusion

Personally, I think Shopify's "trot" or rate of growth is likely to remain far in excess of the market over the long term. That said, this is a perfectly priced stock. Additionally, it's entirely plausible that Shopify could be a stock that could see some softness in the coming quarters as the economy reopens.

For those concerned about potential softness in Shopify stock, sit back and take a breath. Take a look at the stock chart of this company and its growth trajectory. It's still early innings for Shopify in terms of its growth potential, and long-term investing requires a strong stomach.

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