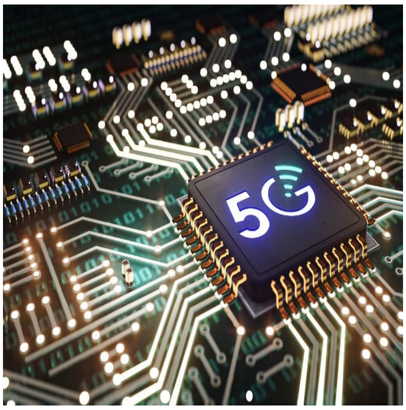

ATTENTION Investors: A 30% Discount on Shopify (TSX:SHOP) Stock

Description

Attention investors! The passive investors who bought **Shopify** (TSX:SHOP)(NYSE:SHOP) stock a year back and are now enjoying their capital gains, it is time for the second round of buying. Shopify stock has dipped 31% from its February high of $1,900. Both the technicals and the fundamentals hint that the stock is close to the bottom. One teaching of Warren Buffett is to find the robin and buy it when others are selling.

Is Shopify stock the robin?

A *robin* is a company with strong fundamentals, good management, and operates in a business with long-term growth potential. Buffett often buys stocks and holds them for the next decade. Ask yourself, will you frequently shop online from a retailer's site in the next 10 years? If the answer is yes, you know that Shopify is in a business that has immense growth potential.

Shopify is trying to reshape the future of the retail industry and take it to the next level. **Amazon** was the first to carve the e-commerce opportunity. While I agree that first-mover has an advantage, Shopify is a worthy competitor that can challenge Amazon.

Amazon gives retailers a wide customer base, but retailers have to sacrifice branding and marketing. Retailers also have to risk their products being copied and sold at a lower price by Amazon. Shopify allows retailers to do their branding and marketing on their e-commerce stores and protects their products from being copied. Hence, Shopify has become the preferred e-commerce platform after Amazon in North America. Shopify is now looking to replicate the North American success in other countries.

Shopify's normal revenue growth rate is 50%. The pandemic accelerated this growth to 80%, and the management is now expecting the growth to normalize. The stock is trading at 55 times its sales per share, which is far above its competitors' ratio of 25x. But Shopify has an edge over them, which makes the 55x ratio also attractive.

Shopify has made its platform sticky with its universe of digital commerce offerings. The company was growing its revenue at the rate of 50% even before the pandemic. The lockdown just opened the door for online groceries, a segment that has been reluctant to go online. The high-volume grocer market will take e-commerce to the next level.

Is the market selling the Shopify robin?

Shopify is a robin that can spread its wings in the spring of online shopping. But the market is currently selling this robin. After inflating its valuation last year to price in 10 years' worth of growth, the market is now cashing out the profits. The bears believe that the stock has rallied to its potential and has no more upside in the next few years.

This is the first time in 12 months, Shopify stock has dropped below its 200-day moving average. The last time Shopify stock fell below $1,310 was in November 2020, when the vaccine news impacted all e-commerce stocks. At the time, the pullback acted like a catapult and pushed the stock higher as the second wave of the pandemic moved holiday shopping online.

The month-long dip has in March pushed Shopify stock into the oversold category. It has a Relative Strength Index (RSI) of 25, which indicates that 75% of the trades are a sell. This is a lucrative time to buy a robin like Shopify. If the stock reaches the analysts' median price target of $1,500, it represents a 15% upside, and the bullish target of $1,900 represents a 42% upside.

Final thoughts

The data from Health Canada shows coronavirus cases are rising. The surge does not mean that a third wave is coming, but it does mean that the social distancing norm is here to stay for another year. The things won't go back to what they were in 2019 with a snap. The online culture will flourish in the 2030 decade, and so will Shopify.

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