



## Yes, Shopify Is Expensive, But it's Still a Long-Term Gem

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is one heck of an expensive stock for a reason. Indeed, investors have long touted this Canadian tech stock as a [long-term growth](#) gem. In terms of growth, there are few TSX-listed companies that can touch Shopify right now.

This has led to absolutely eye-watering capital appreciation for investors who have stuck with Shopify since its IPO in 2015. Indeed, only a few businesses can deliver the long-term growth Shopify has.

That said, investors are seemingly bearish on growth stocks right now in this rising interest rate environment. Here's why I think that could be a mistake.

## Shopify dips as investors brace for inflation

The COVID-19 pandemic all but killed inflation expectation last year. Investors were rightly concerned with what looked to be a long-term recovery that would be needed over multiple years.

Fast forward one year later, and now investors are worried about rising inflation, as global stimulus spending approaches US\$20 trillion. With rapid vaccine rollouts and interest rates at historic lows, many countries expect to recover quicker than anticipated. Investors are worried that increasing demand might overshoot supply. This is a valid worry, given the pandemic's impact on manufacturing capabilities.

This imbalance in supply and demand have resulted in blazing growth in commodity prices. Rising bond yields have also encouraged investors to seek out value stocks and rotate out of growth right now. High-flying growth stocks like Shopify have thus been hit quite hard.

Couple these effects with Shopify's nosebleed valuation, and there certainly is cause for concern for investors. However, here's why I think investors should stay focused on the long-term growth thesis with this stock right now and avoid this noise today.

## Shopify's growth thesis remains solid

E-commerce growth has accelerated through the pandemic. Indeed, consumers have shifted their spending patterns in a fundamental way. Of course, there's the potential consumers will flock to the mall when everything reopens. However, I think there will likely continue to be momentum for the structural retail transition to e-commerce long term.

The market prices in near-term risks much more heavily than long-term catalysts. Accordingly, the fluctuations in Shopify's stock price should be viewed through the lens of a long-term investor. For someone looking to hold this stock for the next 10 or 20 years, these dips are great buying opportunities, if you think the underlying growth thesis in e-commerce will remain robust over the next couple decades.

Indeed, the stock market has been often called the only market where no one wants to buy things at a discount. It's hard to look at a position that's down from its all-time high and not worry about additional downside risk. However, for long-term investors, viewing temporary short-term moves as a discount on great long-term potential is often the strategy that ultimately wins out.

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2. Tech Stocks

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