



What to Make of Shopify's Recent Executive Shuffle

Description

When it comes to tech stocks, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has been on my watchlist for quite some time. Shopify is a stock that's been perpetually expensive. Accordingly, it's been viewed by many (myself included) as one with a valuation that is simply too rich to dive into at a given moment.

However, there's reason to believe this stock is priced accurately. The market is certainly pricing in a tremendous amount of growth with Shopify. However, the ability of this company to beat earnings consistently and provided growth acceleration in recent years is something growth investors have been enticed by.

Thus, Cathie Woods's [recent comments](#) calling Shopify the next **Amazon** really aren't surprising.

That said, some investors appear to be getting antsy with Shopify stock of late. A management shuffle is underway. Here's what I think investors should make of this shuffle.

Shopify will bid farewell to three top executives

The CEO of the Ottawa-based tech giant, Tobias Lütke, revealed in an online memo that the company would be saying goodbye to three top members of the leadership team. Chief Legal Officer Joe Frasca and Chief Technology Officer Jean-Michael Lemieux will be leaving the company in the next few months, along with Chief Talent Officer Brittany Forsyth. However, the memo didn't give any indication as to who would be replacing them.

Lütke revealed that although the reasons for departure for each executive were different, there was one thing common. All of them believed that this decision would be the best for themselves and Shopify. This shuffle is taking place shortly after a changeup in management during fall 2020. Lütke further reminded that almost every member of the company would leave at some point; hence, it should not be that concerning.

That said, Shopify stock has lost momentum of late, and this move doesn't seem to be bullish for a turnaround in momentum.

Shopify's growth is what investors need to focus on

Regardless of current market sentiment, I think the real catalyst for Shopify will always be its growth rate.

Indeed, if 2020 is any indication, Shopify's business model is in better shape than ever. It's building stickiness with a growing customer base. And the company's financial performance has continued to be stellar.

Yes, Shopify will need to grow into its valuation. I thought Amazon was overvalued for decades, until it wasn't. If this company can indeed replicate Amazon-like returns for decades, investors are well positioned with this stock right now.

Given Cathie Woods's vote of confidence, I wouldn't be surprised to see some near-term momentum build for Shopify. This is a stock that's still trading at a discount of 25% to its peak. For those who believe more all-time highs are on the way this year, now may be a great time to pick up some shares.

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