Shopify Stock: Why Investors Shouldn't Ignore This Analyst's Warning

Description

Shopify (TSX:SHOP)(NYSE:SHOP) continues to be one of the best deals on the **TSX** today. The e-commerce company and its platform has become the must-have for Motley Fool investors. And yet, the recent tech pullback has many thinking twice about adding it to their portfolios.

And that's where analysts continue to warn investors: this is an opportunity that won't last. Since shares came down from all-time highs of $2,228, analysts have weighed in again and again that shares are only going to go up. And that means today's share price is an enormous bargain.

Let's look at why.

What analysts say

The most recent upgrade for Shopify came from analysts at William Blair. The company upgraded Shopify from "market perform" to an "outperform" rating. And it's not the only research report to weigh in on the subject. Analysts at **TD** Securities, Rosenblatt Securities and **RBC** have all weighed in on the subject, giving the e-commerce company an "outperform" rating.

The recent drop in Shopify has left analysts believing the company is certainly at a more affordable level. What's more, the consensus target price still sits at around $2,000 per share. Right now, that's a potential upside of 38%.

Earnings support the claims

While the tech sector as a whole remains down, Shopify shares really don't belong in this grouping. The company has put out strong quarters again and again, even during the pandemic *and* supply-chain issues. This comes from using its own payments programs, fulfillment centres and more to ensure deliveries are made and merchants can keep up with demand.

This was seen on Black Friday weekend, when the company smashed previous sales. Shopify reported a record $6.3 billion in sales, — a 23% increase year over year. And that was before the holidays even hit.

That's also on top of the strong third-quarter performance Shopify investors saw a few months back as well. Total revenue was up 46% year over year, with subscription solutions revenue up 37% year over year. Monthly recurring revenue increased 33%, with its GMV up 35% year over year. Meanwhile, the company continues to actually make a profit — something other e-commerce companies may not be able to claim.

So, what's the hold up?

The main issue that Motley Fool investors have with Shopify stock seems to be that the numbers aren't as incredible as they once were. Gone are the days of triple-digit year-over-year growth. But, frankly, to me that's a good thing.

Shopify is able to show investors that it can continue to meet demand, remain stable, and see continuous growth on a consistent basis. Furthermore, it's coming up with more solutions as global demand rises. Motley Fool investors can now see the company use Shopify Markets for cross-border purchases. It's Shopify App now allows users to search for products, not just merchants. And there's even more coming down the pipeline.

When the tech sector starts to stabilize, Motley Fool investors will be incredibly upset if they miss out on this opportunity. It's likely that Shopify stock will reach that $2,000 level in 2022. And it'll only be up from there.

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