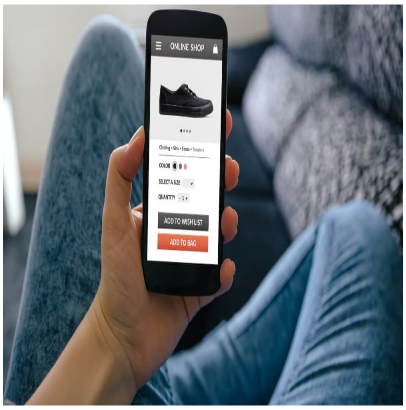

Why Shopify Stock Fell 6% Last Week

Description

Shopify (TSX:SHOP)(NYSE:SHOP) got some rough news from developers last week. This was followed up from Canadians stating **Amazon** was still their go-to e-commerce store in 2021.

Shares of Shopify dropped 6% last week and remain below $1,400 per share. That's a decrease of 38% from all-time highs, as of writing. And it's certainly not what Motley Fool investors expected after the stock surpassed $2,000 last year.

So, what should investors think about last week's price movement? Is it an opportunity or the beginning of the end?

The bear side

It looks like the optimism that surrounded Shopify may be growing faint in the last few months. Motley Fool investors weren't alone in wanting strong growth stocks in 2020 and 2021. And the tech sector offered this in droves, but no more than Shopify.

The issue is how long can that last? Some analysts are certainly not optimistic about the potential for the company to continue trading at such lofty prices. And this last week was just the latest in a series of drops for the company. Granted, it first occurred due to a selloff in the tech sector. However, that just shows Shopify isn't immune to a pullback.

Further, the reason last week dropped so much is due to the company's recent algorithm changes. The changes caused developers with their app add-ons to see red. A developer paying for ad space will now have its competitors show up at the bottom of the page. Competitors who are not paying for space. Further, members of Meta and **Alphabet** show up at the top with their own add-ons, making it even harder for smaller developers to compete.

The bull side

Shopify has not announced whether it will change the algorithm back. Further, the recent loss may indeed continue as tech companies and more drop. However, bulls say long-term investors may see this as an opportunity to get in on a strong company for their future portfolios.

Shopify has seen strong growth, and even if that is set to slow, that also means it will stabilize. The only way the company could see triple-digit growth would be if it saw huge losses and then rebound. No one wants that, especially Motley Fool investors.

The company continues to have strong merchant add-ons, its metric continue at strong rates, and it seems to be the go-to for small and medium businesses. Even with the Shopify Fulfillment Network needing immense investment, the company is now profitable and seems to be able to afford it.

Foolish takeaway

If you're looking for a quick bump in your portfolio, you're investing wrong in the first place. While 2020 and 2021 were exciting years, investing should not be exciting. It should be as boring as watching paint dry. Now that Shopify has come down to reasonable valuations, that means it's a solid time to jump on the stock.

That being said, there could be some turbulent times ahead for the company you should definitely be aware of. Developers may drop off — developers that have been Shopify's bread and butter. So, hopefully there are algorithm changes to address these issues soon.

But for the long-term investors, Shopify looks like a great long-term buy. Shares currently trade at $1,361 per share, down 6% in the last week and 10% in the last year. Analysts give it a potential upside of 47% to around $2,000.

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