



Could Shopify Stock Make or Break Your TFSA in February?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) is set to announce earnings on Feb. 16 before market open. In 2021, Shopify stock showed incredible growth, and yet shares of the e-commerce company slumped in January. In fact, prices fell to levels not seen since 2020 and remain low.

The top method of investing in a company like Shopify stock has to be through a Tax-Free Savings Account (TFSA). But with earnings on the way, Motley Fool investors may be asking whether this is a good time to invest in the e-commerce company or stay clear.

What happened?

What exactly happened that made Shopify stock fall? it was the [tech crash](#), mainly. The company reported a record year in 2021, with revenue growth and profits coming in strong. Yet some investors seemed unimpressed by the double-digit rather than triple-digit year-over-year performance. Further, some of this can be blamed on the company's reinvestment, such as at its Shopify fulfillment centres.

The tech crash continued, as earnings came in for some tech companies, and that's what is going to be where Shopify stock rains or shines. The report will include the holiday rush, including its record-setting sales from Black Friday to Cyber Monday. Shopify vendors brought in \$6.3 billion over that weekend alone, up 23% from 2020 levels. Given that there have been supply-chain disruptions for most and Shopify seemed immune, there could be a massive surprise for investors.

So what?

Yet Motley Fool investors still seem wary about buying up Shopify stock, despite these cheap levels. And that cannot be ignored. As the pandemic wages on, Shopify continues to benefit. Some research suggests COVID-19 may become something we live with. If that's the case, e-commerce should continue to [thrive](#). But if the pandemic *does* come to an end, some investors worry Shopify stock could fall when everyone returns to in-person shopping.

So, what are investors to think?

Now what?

There are a few things to take away here that could affect the price of Shopify stock in February. First, while the tech stock fall was scary, this correction can be seen as a good thing in a few ways. First, it prevents the formation of a bubble (as seen with cannabis stocks). Second, it provides a solid jumping-in point for Motley Fool investors to consider to achieve substantial long-term gains — especially in their TFSAs.

That's what analysts continue to say again and again. While a [correction](#) was needed, it's now been overblown. Shopify stock is now a strong long-term investment, making investments into its own business that long-term shareholders will certainly benefit from.

Those investments include the Shopify Fulfillment Network as well as social media partnerships. The company continues to find new ways of bringing in revenue, and its fulfillment network in particular is being rolled out in earnest. While this could slightly upset short-term results, in the long term, this is a strong benefit for shareholders.

Foolish takeaway

Analysts predict revenue of around US\$1.4 billion — a 43% increase from the year before. Gross merchandise volume should remain strong, though it's likely to decelerate as Shopify stock stabilizes. Earnings estimates come in at \$1.25 per share on average, though the company doubled that projection last quarter. Shopify is likely to continue growing faster than the e-commerce industry as a whole, especially for long-term investors willing to wade through the rocky waters.

Shares of Shopify stock are down 40% in the last year and 29% year to date. Analysts give it a consensus target price of about \$2,000 per share, representing upside potential of 82% as of writing.

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Author

alegatewolf

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