



Down 48% From Record Highs, Is Shopify Stock a Buy?

Description

The selloff in [growth stocks](#) has dragged valuations of several Canadian companies lower. E-commerce giant **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is currently valued at [a market cap](#) of \$140 billion and is down almost 50% from record highs. However, despite the massive pullback in share prices, SHOP stock has returned 3,000% to investors since its IPO in May 2015.

Let's see if the ongoing market turbulence provides Shopify investors with another buying opportunity at current prices.

The bull case for Shopify stock

Shopify offers a comprehensive suite of products and services to merchants that want to establish an online presence. For example, merchants can use Shopify's software to run their businesses across sales channels that include web and mobile storefronts in addition to physical retail storefronts, social media storefronts, and marketplaces.

Shopify's platform allows them to manage inventory, fulfill and ship orders, process payments, leverage analytics, and access financing, among others. The COVID-19 pandemic acted as a massive tailwind for Shopify, as the company [grew revenue by](#) 86% year over year in 2020. While top-line growth has decelerated, it still rose by 66% year over year in the first nine months of 2021 to US\$3.23 billion.

The company's business model is driven by its ability to onboard new merchants, retain revenue from existing merchants, and increase sales to both new and existing merchants. The Shopify platform provides services to approximately two million merchants with monthly recurring revenue of US\$98.8 million and a gross merchandise volume of US\$41.8 billion in Q3 of 2021.

Shopify continues to expand its suite of services. In 2019, it launched the Shopify Fulfillment Network, which is a network of fulfillment centres across the U.S. that enables merchants to deliver orders to buyers in a cost-effective manner. It basically aims to leverage Shopify's scale with machine learning, demand forecasting, smart inventory allocation, and intelligent order routing across warehouses to

improve supply chain economics.

The bear case for SHOP stock

Shopify is expected to [increase sales](#) to US\$5.8 billion in 2021 and US\$7.7 billion in 2022. Comparatively, its adjusted earnings are forecast to touch US\$8.72 per share in 2022. So, SHOP stock is valued at a forward price-to-2022 sales multiple of 14.3 and a price-to-earnings ratio of 100.7, which is extremely steep.

There is a good chance for Shopify stock to move lower, especially if market sentiment turns bearish. Its top-line growth might decelerate if it's unable to expand its merchant base or improve customer spending going forward.

The Foolish takeaway

Despite concerns over valuation, investors need to understand it's impossible to time the market and every major dip in stock prices should be viewed as a chance to purchase a growth stock at a lower multiple.

Shopify is also part of a high growth vertical and forecasts its total addressable market at over US\$150 billion, allowing it to increase revenue rapidly in the upcoming quarters. Analysts tracking Shopify stock remain bullish and have a 12-month average price target of \$2,077, which is 130% above its current trading price.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. araghunath

2. kduncombe

Category

1. Investing
2. Tech Stocks

Date

2025/09/10

Date Created

2022/02/09

Author

araghunath

default watermark

default watermark