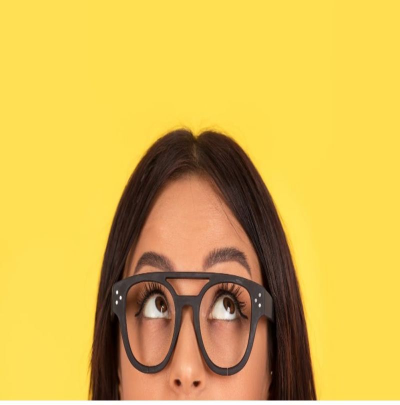

Shopify Stock Hits 52-Week Lows: What Should Investors Do Now?

Description

Shopify (TSX:SHOP)(NYSE:SHOP) shares continue to be trashed by the market, as Shopify stock hit 52-week lows after earnings. Shares fell by 17% after reporting a loss for the quarter, though it beat revenue estimates. After hitting 52-week lows, shares continue to drop; it's down another 3% from Wednesday's market close.

So, what should investors do now? Is Shopify stock set to sink further, or are investors able to pick it up today for an insane deal? Let's take a look and how to navigate the stock today.

What happened?

First, let's take a look at what investors weren't impressed with when it comes to Shopify stock. The company managed to still report a 41% increase year over year in revenue. This beat estimates, bringing in US$1.38 billion for the quarter, rather than the estimated US$1.33 billion.

However, it was the loss and future growth that brought in major concern. After reporting a profit of US$123.9 million a year ago, it reported a net loss of US$507 million this quarter. This came mainly from the poor performance from company's Shopify stock has a stake in.

Shares dropped further and further, but it's now hard to tell what's warranted and what's out of fear. But luckily, analysts didn't waste any time reporting on Shopify earnings.

So what?

Analysts weighed in heavily on Shopify stock after earnings, dropping their projected target prices for company shares. The average fell by 28.8% on the Street to US$1,222.89. This comes from the report stating that growth will slow, all while the e-commerce giant continues to manage its major investments.

One of those investments includes the challenge Shopify stock faces in expanding its Shopify Fulfillment Network. These efforts may be too early, stated one analyst, and won't be able to address the challenges the company faces this year alone.

It's now a tougher e-commerce environment, and the outlook looks disappointing. More costs, more investments, and slowing revenue all combine to make a poor situation for Shopify stock.

Now what?

So, what should investors do with Shopify stock? Right now, I wouldn't consider the stock a buy, but I wouldn't say to sell it either. Shares have dropped so low, and, in fact, if you're a long-term investor, then it might be a good idea to perhaps purchase more stake in the stock. But if you're hoping for the high gains of the last few years, I think those are past.

Long-term investors will certainly be able to take advantage of the Shopify Fulfillment Network. This is especially true given the company's total addressable market (TAM). So, while the near term looks risky, long term, this could still be a hugely successful stock to hold.

Analysts continue to believe Shopify stock will outperform the market, as it has year after year. And really, it did this once again in terms of revenue. It's hard to judge the stock at such a volatile time for tech stocks. The e-commerce company continues to find new ways for sustainable growth in the long term, which means investing in an internationally strong position. And that costs money. Shopify remains a top e-commerce company that long-term investors should continue to benefit from, but only time will tell how long.

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