



## Down Over 62%, Should You Buy Shopify (TSX:SHOP) Stock?

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock is getting hammered as growth normalizes amid difficult year-over-year comparisons and reopening of physical retail.

It's worth noting that Shopify delivered impressive growth amid accelerated demand for its platform during the pandemic, which in turn, led to a significant increase in its share price. However, economic reopening is driving a portion of consumer spending towards bricks-and-mortar retail. Further, valuation concerns amid the slowdown in growth led investors to dump Shopify stock.

The recent selling in the stock wiped out a significant portion of its value. For instance, Shopify stock has corrected more than 62% from its 52-week high. Meanwhile, it has decreased by 52% this year.

### The near future

During the Q4 conference call, Shopify's management indicated that COVID-led acceleration would not be available in 2022, which will impact its growth, especially in the first half of 2022. Further, Shopify cautioned investors regarding inflation and near-term consumer spending.

Given the normalization in the pace of digital commerce transformation, Shopify expects its 2022 revenue growth rate to be lower than 2021 (Shopify's top-line increased by 57% in 2021). Further, the first quarter of 2022 is up against tough year-over-year comparisons, which will impact its growth.

While Shopify's revenue growth is projected to moderate, the company is ramping up investments in e-commerce infrastructure, fulfillment, and global expansion. This, in turn, will likely pressure its margins in 2022.

### What's next for Shopify stock?

Looking ahead, Shopify stock could remain volatile in the near term due to the growth concerns and pressure on margins from increased investments. However, a shift in selling models towards

omnichannel platforms will likely benefit Shopify. Further, Shopify's revenue growth rate could trend higher in the second half of 2022, which is encouraging.

Shopify has multiple growth vectors that could drive its stock price higher. It's worth noting that Shopify is ramping up investments in strengthening its own fulfillment network, which augurs well for future growth as it provides a competitive advantage in the long term and will likely drive newer merchants to its platform.

Meanwhile, Shopify is expanding its services to an increased number of merchants in newer geographies, which will likely drive its financials. Further, its expanded product suite and increased contribution of newly launched products bode well for future growth.

Shopify will benefit from the expansion of its social commerce offerings. It partnered with several top social media companies to expand its marketing and sales channels, which will likely drive its merchant base in the long term.

## Attractive valuation

Due to the recent sell-off in Shopify stock, its valuation multiple is at a multi-year low. The stock is trading at a next-12-month EV/sales multiple of 12.5, which is significantly below its historical average and near 2019 levels.

The compression in [Shopify's valuation](#) and its strong growth rate makes it attractive at current levels.

## Bottom line

The selling in Shopify stock is overdone, and the recent sell-off has created a solid [opportunity for buying](#), especially for long-term investors. Its growing market share, increased penetration of its payment offerings, global expansion, new product launches, and growing fulfillment and merchant services support my bullish outlook.

### 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. jguest
2. snahata

#### **Category**

1. Investing
2. Tech Stocks

#### **Date**

2025/08/26

#### **Date Created**

2022/02/22

#### **Author**

snahata

default watermark

default watermark