



Slowing Growth Hits Shopify Stock Hard

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) is a company that many believe is central to the idea of the decentralization of retail. By allowing small- and medium-sized businesses to join in on the shift to online retail, Shopify has democratized, in some ways, how the e-commerce market has evolved. For investors in Shopify stock, this has meant years of surging valuation multiples.

However, recent macro issues related to surging inflation, the potential for rising interest rates as well as Russia-Ukraine tensions have put hyper-growth stocks on a decline.

Will this continue? Or is now the time to buy the dip? Let's discuss some of the factors investors should be aware of when it comes to Shopify.

Biggest plunge ever for Shopify stock

Along with other [high-growth stocks](#) that have seen massive dips, Shopify stock recently recorded its largest single-day plunge on record. This stock saw a 17% single-day decline, following the company's recent earnings.

This decline was driven by a weaker-than-expected outlook provided for 2022, as inflation impacts consumer spending behaviour. Additionally, a return to brick-and-mortar retailers is bearish for e-commerce companies like Shopify that benefit directly from higher transaction volumes.

Indeed, it appears inflationary pressures are likely to directly impact Shopify stock, at least in the near term. However, those taking a longer-term view of the structural catalysts underpinning Shopify may like where this company is positioned.

Analysts slash target prices

This dimmer outlook has directly impacted Shopify's price but also its outlook among analysts. The company's average stock price was cut to its lowest level in a year, as analysts sought to get ahead of

the seemingly inevitable price action with Shopify stock.

That said, taking a broader view of Shopify stock, it appears analysts remain relatively bullish on this company. Shopify is still rated a moderate buy, with most analysts still recommending this stock as attractive right now.

Perhaps that's because Shopify's valuation multiples have come down so drastically. Once a stock that traded around 70 times sales, Shopify stock now fetches a valuation of only [29-times earnings](#). That's a big difference, and one that seems to suggest Shopify's valuation could be sustainable from here.

Bottom line

Overall, Shopify's recent numbers weren't all that bad. Revenues rose more than 40%, and the company did produce a meaningful profit beat. However, slowing growth expectations are the biggest concern on the minds of many investors.

While growth may slow, I think Shopify remains a growth stock that's about as strong as its ever been. This company's long-term prospects are bright, and I remain bullish.

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