



Shopify (TSX:SHOP) Stock Falls Below \$800: Should You Buy?

Description

Be it the rate hike fears or the broad market sell-off on geopolitical tensions, **Shopify** ([TSX:SHOP](#)) ([NYSE:SHOP](#)) stock has fallen on every occasion this year. The drop has been so brutal that the e-commerce enabler has lost 65% of its value in the last three months. The stock has now fallen below \$800 apiece, its lowest level since April 2020.

SHOP stock below \$800

Shopify reported its fourth-quarter and full-year 2021 results last week, and the numbers were not that good. Along with a red bottom line, investors did not like the management commentary talking about slower growth this year.

Shopify's revenues increased 86% in 2020 year-over-year, and they declined to 57% last year. That's a steep fall! Importantly, the 2022 topline growth is [expected](#) to be lower than last year.

And why it shouldn't be? Understandably, it would be hard to digest slow-growth commentary from Shopify after delivering such a sky-high growth consistently for the last six or seven years.

However, it is not prudent to expect [superior growth](#) to last forever. The pandemic was indeed a golden period for companies like Shopify. So, the growth rate should revert to the mean as the pandemic wanes.

And note that the management has said that the numbers in 2022 will still be above-average in the industry. Also, Shopify's market share in U.S. e-commerce retail sales increased to 10.3% in 2021 from 8.6% in 2020. So, that should count for something.

SHOP Q4 numbers were not all that bad

Shopify's merchant base expanded notably last year, breaching the two million mark. Its merchant solution revenue jumped to \$1 billion in Q4 2021, an increase of 47% year-over-year.

Gross merchandise volume, which indicates the value of goods sold on its platform, increased to \$54 billion in the fourth quarter last year, a 31% increase over Q4 2020.

The year 2021 brought several key developments for Shopify. It introduced TikTok Shopping to merchants and launched a Spotify channel as well.

It expanded Shop Pay, its accelerated checkout tool, to Shopify and non-Shopify customers on Facebook and Instagram. These enhancements played out pretty well for merchants to convert sales and, ultimately, for Shopify.

Shopify Fulfillment network could be its key growth driver for the next few years. The company is running a pilot program of this, and its features include demand forecasting, critical alerts, product bundling, and regional tax settings.

Shopify plans to invest US\$1 billion in this game-changer project through 2024. So, this capex plan could negatively impact its net income in 2022.

Valuation

SHOP stock is trading 27 times its earnings at the moment, lower than its peers. Moreover, its price-to-sales ratio comes around 13 times, way lower than its historical average.

Note that broad market volatility and faster rate hikes than expected could dominate the stock. However, it looks like [an exciting pick](#) for patient investors right now, mainly after its sharp correction.

Don't expect Shopify to create similar wealth as it did during 2016 and 2021. However, it will still be a high-growth company that can deliver market-beating returns.

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