



Shopify Stock Price: Headed to \$500?

Description

Only a few months ago, in November of 2021, the price of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock was trading for more than \$2,100 a share. Fast forward to the beginning of March, and Shopify stock is now trading around \$800 a share — a decline of roughly 60% in just over three months.

A selloff that is this significant doesn't happen for no reason, so you may be worried that Shopify's stock could get even cheaper.

Whether you already own the stock and want to know what's happening or are looking to buy the incredible stock, but don't want to catch a falling knife, here's where the price of Shopify stock could go over the next year and how likely it is that Shopify will fall to \$500 a share.

Why is Shopify down significantly over the last three months?

One of the first reasons the price of Shopify stock has been falling over the last few months is due to investors rebalancing their portfolios as inflation has increased, and the need for tighter monetary policy has become evident.

It's not just Shopify stock that's lost value. Over the last three months, [tech stocks](#) have been one of the worst-performing sectors. This is not unusual when investors are looking to lower their exposure to risk and increase their defensive investments. Consumer discretionary stocks have also been underperforming alongside tech. Meanwhile, utilities and consumer staples, two of the safest industries, have been some of the top performers.

In addition to the fact that the tech sector has fallen out of favour, though, the price of Shopify stock also fell considerably after its recent earnings report. Not only did the company confirm that it no longer expects to see a boost in revenue from pandemic-related shutdowns, but its forward guidance, including its plan to reinvest a tonne of capital into growth, also weighed on the stock.

So, after selling off so significantly over the past three months, you may be wondering if it's time to buy Shopify stock or if its price could continue to get cheaper from here.

Where is the price of Shopify stock going?

After selling off so significantly, and with so much uncertainty in markets, there is certainly a tonne of interest in where the price of Shopify stock will go next. And while I don't expect Shopify to bounce back right away, I think it's highly unlikely that it will fall to \$500 a share.

At the current price, Shopify stock trades at a forward [price-to-sales](#) (P/S) ratio of just 13.3 times. This is extremely cheap for Shopify relative to its recent history. In fact, Shopify's forward P/S ratio hasn't been this cheap since 2018.

It's worth noting, though, that as Shopify grows larger in size, its pace of growth will inevitably slow, and therefore the growth premium it receives will fall as well. Nevertheless, while the e-commerce industry has so much long-term growth potential, and while Shopify continues to be a major player in the industry, that it's trading at only 13 times forward sales is undoubtedly cheap.

The average analyst target price for Shopify stock is now \$1,250 a share, with the lowest estimate at more than \$1,000. However, in the short term, it could continue to face headwinds, as volatility in markets picks up. So, while I find it highly unlikely for it to fall to \$500, it could continue to sell off slightly in the near term. With that being said, predicting how Shopify trades over the coming months is extremely difficult.

Therefore, if you're considering buying Shopify stock today, there's no question it offers a tonne of value for long-term investors at this price.

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