1 TSX Stock That Is Too Cheap to Ignore

Description

Things just do not seem to be working out for **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP) on the stock market. What was once a stock that investors flocked to in droves due to its phenomenal capital gains and growth rate, has become an investment that keeps losing its value for many Canadians.

At writing, Shopify trades for $812.83 per share, down by almost a staggering 35% from its February 1, 2022 levels. The Canadian tech industry and broader growth stocks have seen a considerable decline in the last few months. Shopify is one of the biggest names among them and one that might be too cheap to ignore now.

Today, I will take a closer look at what is happening with the blue-eyed darling on the **TSX** to help you determine whether it is a value stock worth adding to your portfolio today or something you should avoid at all costs.

What has happened?

February marked the third consecutive month in which Shopify stock continued to decline. The Canadian tech giant already began the year on a bearish note, and it extended its losses in February. At writing, Shopify stock is down by just over 62% from its November 19, 2021, levels.

The company released the financial results of its December-ending quarter on February 16, 2022. The e-commerce services provider did not report any significant operational losses. Rather, Shopify reported strong positive growth in its top and bottom lines.

The fourth quarter saw the company's revenues from merchant solutions exceed the US$1 billion mark for the first time since its creation – a 47% year-over-year increase. The company's monthly recurring revenue saw a 23% year-over-year gain, crossing US$100 million for the first time. Its subscription solutions revenue increased by 26%.

Analyst expectations for the company’s total revenue were around US$1.33 billion, and Shopify Inc. posted positive growth in its total revenue that exceeded analyst expectations to hit US$1.38 billion.

Then why the decline?

All the positive factors displayed clearly in Shopify’s latest quarterly earnings report do not seem to have been enough to make a positive impact on investor sentiment. The broader sell-off in the tech sector already placed Shopify and its peers under pressure. Rising geopolitical tensions due to Russia’s invasion of Ukraine and interest rate hikes have furthered the problems for the stock.

Another major factor contributing to its decline could be the company’s expectations of a drop in its revenue growth rate this year. Note that it announced a drop in its revenue growth rate, not a drop in its revenue itself. But that seems to be all it takes for investors to continue selling their shares in the company.

Foolish takeaway

Shopify saw a considerable boost in its revenue growth rates amid the pandemic. It was only natural for its growth rate to decline this year as the world slowly moves into a post-pandemic era. This simple reality is why I don’t see its revenue growth outlook as a good enough reason to sell its shares. It would be better to focus on what could be in store for Shopify in the future.

The company has highlighted that it is upscaling its hiring in sales and bolstering its international marketing efforts. The company is preparing expansion plans that could see it post considerable long-term growth. While it remains a risky investment, Shopify could be a tech stock worth buying right now.

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Author
adamothman