Time to Buy the Dip in Shopify Stock as Tech Stocks Free Fall?

Description

It may seem like the time to hit the panic button, as the bear looks to emerge from his cave. Now that so many have gotten more bearish, I think that there's a sign that it may be time to at the very least begin thinking about doing some buying. Now, you don't need to buy the dip in **Shopify** (TSX:SHOP)(NYSE:SHOP) stock, which has shed around two-thirds of its value as a part of its latest crash. It's hard to time a bottom. That said, dip-buying will eventually work as it did. It's just nobody knows when it will start working again. Indeed, there are signs of a full-blown bear market. The Nasdaq has suffered its second bear market moment in two years. It's been vicious. And only long-term thinkers should look to continue buying the dip.

You not only need a high pain tolerance willingness to take a hit, but you also need to focus on the next five or 10 years out. It's tough to think long term, with so many near-term traders touting what they think will happen over the next nine months. Indeed, timing markets over a month-to-month basis is a crapshoot. Over the long run, though, markets have been a great place to obtain a solid return on your invested capital. If you can pick your spots, stay diversified, and be a buyer as others panic-sell, you have what it takes to be a great investor.

In this piece, we'll look at two TSX tech stocks that are free falling right now. I think they're buyable. That said, I don't think they've hit bottom just yet! Over the next five to 10 years, though, I like the risk/reward scenario. So, if you're willing to be a buyer of the dip and have a lot of dry powder to average down, the following two strike me as intriguing right here.

Shopify

First up, we have Canadian e-commerce firm Shopify, which has been nosediving for months now. Dip-buyers have been punished with quick losses, and their patience will continue to be put to the test. Now, I've never been a huge fan of Shopify stock's valuation. It's traded anywhere from 40 to 60 times sales at its peak. The growth story was unbelievable, as too were management's talents. That said, the uncomfortable price made little sense, in my opinion. After a nearly 67% drop, Shopify stock is cheaper at around 15 times sales.

The real question is if the stock is less expensive, given the change in circumstances and the muted quarters in the rear view. I'd argue that no, Shopify is not cheap yet. Is it cheaper? I think it is. But not as much as the decline would suggest. Things aren't as bright, but at the same time, I view the damage as overdone. At around $700 per share, I'd start nibbling if you're keen on the name. Arguably, it's the "cheapest" it's been, even with the change in sentiment.

The bottom line

Shopify is a falling knife. It's already shed 67% of its value. Does that fact mean it can't shed another 67%? Most definitely not. If it did, I'd look to be a buyer of shares. For now, I'm waiting for the stock to trade at below 10 times sales before jumping in. Patient investors may get the opportunity in just a few weeks. Of course, I'm not against buying a tiny bit today with the intention of doubling down after another 15-30% in damage.

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