Shopify (TSX:SHOP) Fell 18% Last Week: Should You Buy?

Description

March marks the fourth consecutive month that **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP) has declined on the **TSX**. At writing, Shopify stock trades for $718.64 per share, down by 18% since its February 28 levels. Its valuation now translates to a 66.42% decline from its all-time high valuation in November 2021.

The question is: will Shopify stock crash and burn, or is it an undervalued stock with strong long-term potential?

Today, I will take a closer look at what is happening with the battered and bruised TSX tech company to help you make a more informed investment decision regarding Shopify stock.

What is happening?

After its most recent decline, Shopify has become the worst-performing stock in the first few months of 2022. Shopify's market capitalization has dropped down to $90.50 billion. It is a surprising development considering the strong demand for its services and the crucial role it plays for the e-commerce industry.

March 3, 2022, saw Shopify announce a partnership with Apptricity. This is a Texas-based inventory management company, and the partnership is slated to offer Shopify users better usability with its comprehensive platform. Shopify's users can "integrate Shopify StoreFront with Apptricity's enterprise inventory management application solution," offered by Apptricity's Omni.

The news is positive, and it logically cannot be a reason to trigger a sell-off frenzy in Shopify stock. With no major Shopify-specific news that could hint at any negative sentiment, the ongoing decline could be attributed to the broader tech sector sell-off.

The global financial market looks increasingly volatile since Russia invaded Ukraine on February 24, 2022. Uncertain environments like this typically trigger a sell-off in growth stocks. For several years, Canadian tech stocks have been some of the strongest growth stocks.

Phenomenal growth and devastating decline

Shopify became one of the most attractive stocks on the TSX when it debuted on the stock market roughly seven years ago. Between its debut on May 22, 2015, and its all-time high on November 19, 2021, Shopify stock posted 6,024% in capital gains. The rapid growth was exaggerated due to the onset of COVID-19 and the new normal.

The world is slowly moving into a post-pandemic era, and that development was bound to slow down Shopify stock's growth rate. However, there are no indications of problems for the company's operational expenses. The tech meltdown that began in December has continued to erase most of Shopify's gains on the stock market.

Russia's invasion of Ukraine, rising inflation rates, and the pace of tightening monetary policies have made the situation more uncertain for stock market investors. An environment like this makes investors wary of investing in growth stocks. They are likelier to veer toward safe-haven assets as a hedge against uncertainty.

Foolish takeaway

As more investors continue to run away from high-risk assets during this time, Shopify stock could decline further in the coming weeks. Regardless, these short- to medium-term factors are unlikely to impact Shopify's long-term outlook.

The company expects its revenue growth rate to slow down in 2022, but its top-line growth might still beat analyst expectations. The demand for e-commerce services is not going anywhere anytime soon. It might be better to purchase Shopify shares at these discounted rates and hold them long term.

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adamothman