



What Should Investors Do With Shopify Stock?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) stock looked like it may finally be recovering last week, only to start losing yet again on Monday. The markets continue to be a volatile place where investors aren't sure what to do, even with e-commerce heavyweight Shopify stock. So today, I'm going to give some advice on what investors should do with those shares.

Why the drop?

It's important to first figure out why Shopify stock fell in the first place. In this case, there are a number of reasons. The fall started back in November, when the Omicron variant started surging, yet vaccination rates were up. This led many investors to wonder whether the company could indeed meet past [growth](#) goals for the upcoming holiday season.

Now, those goals were met, and indeed exceeded expectations. But more problems came the company's way. The company started out 2022 with an algorithm change that hurt smaller developers. Furthermore, it ended a slew of contracts with fulfillment centres to focus on its own growth. So these are the reasons the company fell due to its own "fault."

But outside that, tech stocks fell dramatically at the beginning of 2022. Any company that was slightly related to the pandemic seemed to see a huge share drop. That especially came down to tech stocks in the e-commerce industry as in-store sales seem to be returning. Furthermore, the Russia-Ukraine conflict most recently hurt the company as well, as the market is now a very volatile place. For Shopify stock, it ended its business dealings in Russia. That will be small, true, but investors seemed to think it was icing on a pretty disgusting cake.

Correction needed

Now it has to be said that a correction was needed for Shopify stock. The company soared to all-time highs of \$2,228 last year, and yet analysts weren't sure it was well deserved. It's done a lot of growing and looks to be growing more by the day, sure. But over \$2,000? That's not as certain.

So now that correction is in place, great. However, analysts are now weighing in on the reverse. While a correction may be warranted, it's now way out of hand. That includes many tech stocks in this area, not just Shopify stock. So the question now remains, is the stock a deal?

Deal or no deal

There are a few ways to look at whether Shopify stock is a deal today or not. First, there are the company's fundamentals and earnings performance. The company trades at 29 times earnings, putting it at fairly valued. Its price to book ratio at 7.93 also puts it in fair value territory.

As for its earnings, most recently the company reported that [revenue](#) has nearly tripled in the last two years. Total revenue was up 41% year over year to \$1.4 billion. Profit also grew 37% to \$692.7 million. For the year, the company brought in \$7.77 billion in cash, compared to \$6.39 billion the year before. The fourth-quarter indeed saw growth thanks to a strong holiday season. The company seems to think that growth can continue, bringing even more merchants on board for the long term.

Shopify also has plenty of new products waiting in the wings. But the most exciting for long-term investors has to be the fulfillment centres. Sure, there's some controversy. However, while the payments will be high for now, the long-term effect will be astounding. The company will never have to rely on another company to ensure products are sent out on time. That is *huge* for stable growth.

Bottom line

Shopify stock is a deal at today's share price of just \$668 as of writing. The company is down over 50% in the last year, and well off those 52-week highs. While it's not likely to reach \$2,000 per share in the coming months, when this volatile economy recovers you'll wish you had bought it at these phenomenal lows.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. alegatewolf
2. jguest

Category

1. Investing
2. Tech Stocks

Date

2025/07/20

Date Created

2022/03/14

Author

alegatewolf

default watermark

default watermark