Down by Almost 70%: Is Shopify (TSX:SHOP) a Good Buy Today?

Description

Shopify Inc. (TSX:SHOP)(NYSE:SHOP) continues to astound investors and analysts alike. When you think of what could be the worst-performing stock on the **TSX** in 2022, Shopify stock might not come to mind considering its stellar performance for several years after its debut. Yet, its share price keeps falling.

At writing, Shopify stock trades for $657.14, representing a 69.29% decline from its all-time high in November 2021. March marks the fourth consecutive month that Shopify stock has been steadily declining on the stock market.

Today, we will take a quick look at Shopify stock and some factors that could be contributing to its unusually long rough patch. Understanding why it is on the decline right now could help you see why it might be an undervalued stock for you to buy on the dip.

What is pushing the stock down?

Several factors have contributed to Shopify stock's decline on the market in the last four months. Inflationary conditions kept worsening toward the end of 2021, sparking concerns of tightening monetary policies. The speculation, in turn, impacted growth stocks across the board. Canadian tech stocks were also feared to be in overvalued territory at the time.

Investors fleeing from risk due to inflationary conditions would have naturally decided to offload riskier investments. Tech stocks like Shopify would be prime candidates for the sell-off under those conditions. Shopify stock declined by almost 37% between December 2021 and January 2022 alone.

February 2022 saw the release of the company's fourth-quarter earnings report for fiscal 2021 amid the tech sell-off. The quarterly earnings report showed that Shopify managed to beat analyst expectations across the board. The company highlighted that its revenue growth rate will likely slow this year. While it is not necessarily bad news, it did not stop Street analysts from slashing their target prices on the stock.

The stock dipped further after its quarterly earnings report despite beating analyst expectations. The tech sell-off did not get a chance to cool down before Russia began a full-scale invasion of Ukraine toward the end of February. The invasion resulted in significant sanctions against the aggressor, and uncertainty marred investor sentiment worldwide.

The global economic outlook appears uncertain during geopolitical tensions. The combination of these factors has led to the continued decline for Shopify stock, and it appears as though it will register more losses as the month continues.

Foolish takeaway

Shopify stock's steady decline might be concerning if the company's operational performance was not up to par as well. But that clearly is not the issue, as shown by its quarterly earnings report for the December-ending quarter. The slowdown in its revenue growth rate was only natural.

Shopify saw a massive surge in demand for its services due to the pandemic. As the world finally appears to be moving into a post-pandemic era, its revenue growth rate was going to decline.

Shopify might not pull off an immediate and massive turnaround considering current macroeconomic factors. However, none of the factors justify such a massive decline from its all-time high valuation so far. The company boasts a strong ability to post positive earnings quarter after quarter. Its long-term prospects look good. It might be a stock worth adding to your portfolio right now if you are also bullish on its long-term potential.

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