Shopify (TSX:SHOP) Down a Shocking 57% in 2022: Buy Now?

Description

The last six months haven't been good for the Canadian tech sector. It has experienced a massive dip starting from the last quarter of 2021 and continued almost to the middle of March. That's assuming the tech sector is now on the road to recovery. Ironically, **Shopify** (TSX:SHOP)(NYSE:SHOP), the heaviest tech company (by market cap), didn't lead the fall but became a casualty of it nevertheless.

Shopify stock in the last five months

Shopify's fall was among the most brutal in the sector, though **Lightspeed**, the other major e-commerce stock on the TSX, fell even harder, so there is one correlation at least. The stock of the tech giant dropped over 69% from peak to the deepest point. The bulk of this fall has been in 2022, i.e., about 57%, from the beginning of the year to the lowest price point in mid-March, when the stock traded for around $657 per share.

However, the recovery is already underway. The stock is up almost 31%, and it might soon re-enter four-digit territory again. The valuation is more attractive than it has been in decades, and if the stock continues to rise at its current pace, this part of the discount might wear off too.

Should you buy Shopify now?

Yes. A much better time to buy would have been earlier when the stock was at or below $700 a share because then, you would have doubled your capital if the stock just reached $1,400 a share, which is a very realistic prediction. And if the stock pushed for its 2021 peak, you would have tripled your investment capital.

However, there is another way to look at this. The stock is currently trading at a price point it would have reached if the pandemic didn't disrupt its default growth rate. But since it has already crossed $2,000, the former "normal" might not be a good place to draw parallels from. It's possible that thestock may rise rapidly to a new peak point, which may be under $2,000 a share, then naturally growfrom there.

One problem with that projection is that Shopify's earnings and market penetration are expected to slow down in the next couple of years, compared to the 2020 and 2021 boom. This may prevent investors from being overly optimistic about this company.

Still, it's a powerful company with a great competitive edge and a huge customer base that is expanding at a decent pace. Buying the current dip and holding it long term is almost bound to pay off.

Foolish takeaway

Shopify's recovery is currently in line with the recovery of the tech sector at large and mimics the growth pattern of other tech stocks, albeit at an expedited pace. However, like its fall, the stock may keep growing independent of the sector, so you may not want to wait for another sector-wide dip to buy at a higher discount.

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