If You'd Invested $10,000 in Shopify 6 Months Ago, This Is How Much You Would Have Today

Description

Bears have been dominating Canadian tech giant **Shopify** (TSX:SHOP)(NYSE:SHOP) for a long time now. Every time it seems like the fall is over, Shopify witnesses another major dip. This year, it has halved in value and is close to giving away all of its pandemic-era gains.

What's next for SHOP stock?

Shopify was one of the biggest pandemic winners, as merchants and customers turned to online shopping. As a result, it saw huge operational and financial growth, which boosted its stock from $660 apiece to $2,229 levels. However, now that the pandemic is almost over, the company sees little COVID-related drivers support, and the stock has been on a constant tear.

Apart from the relatively lower growth outlook, rapidly rising interest rates also weighed on Shopify. Since November last year, SHOP stock has fallen 70%, the biggest correction since its debut in 2015. So, $10,000 invested in SHOP in November would be close to $3,000 today. Notably, Shopify has lost almost $200 billion of market cap in this period!

Growth prospects and valuation

The company is considering a 10-for-1 stock split that might attract retail investors. Note that the company's underlying value does not change in a stock split. The shares only look more affordable, which could boost liquidity. However, historically, stock splits have resulted in an increase in prices in the subsequent periods.

Shopify will release its first-quarter 2022 results on May 5. The management has already given a muted outlook for the quarter. So, there will not be any magic numbers that will send the stock back to its previous highs.

However, Shopify is still a great company increasing its market share and offering decent growth prospects. Though it might not see numbers it saw during the pandemic, it still expects 30-35% annual revenue growth.

In addition, the company's expanding product range and merchant base will likely bode well for its earnings growth in the long term. Moreover, Shopify's market share in the U.S. retail e-commerce market increased to 10.3% last year from 8.6% in 2020.

The stock is currently trading at its two-year lows, and it is valued at 28 times its earnings. That does not seem exorbitantly high for growth stocks like Shopify. Indeed, fast-rising rates and lower-than-expected Q1 numbers could still lower the stock. However, these levels seem attractive to start accumulating for long-term investors.

And it's not just Shopify that has been trading weak. Many growth stocks have suffered from rising interest rates and valuation concerns. For example, Canadian fintech stock **Nuvei** has corrected 60% since last September. **Lightspeed Commerce** stock has dropped 82% after hitting its all-time high of $166 in September.

Bottom line

Richly valued companies generally perform poorly in rising-rate environments. The golden period is over for companies like Shopify. But that does not mean it has entered a mature phase. It still offers excellent growth prospects and is riding e-commerce tailwinds. Canada's tech giant might not make a 3,000% return, as it did in the last decade, but it will make a fortune for patient investors.

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