



## Down About 73%, This 1 Tech Stock Is a Must-Have in Your TFSA Portfolio

### Description

With the recent selling, [investing in tech stocks](#) could be highly profitable for TFSA investors, especially in the long term. The steep correction in the prices of the top TSX tech stocks has led to significant compression in their valuation, making them attractive long-term bets to generate solid tax-free capital gains.

While most TSX tech stocks have corrected quite a lot, my favourite is **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). While Shopify stock has fallen nearly 73% this year, its strong fundamentals point to a strong rebound in growth. Let's delve deeper to determine why investing in this tech stock would be profitable for TFSA investors.

### Growth to reaccelerate

Shopify announced that the prior year's first half benefitted from the COVID-led demand and government stimulus. However, normalization in demand trends due to easing restrictions and the absence of the previous year's growth catalysts will likely weigh on its financials in the short term.

Nevertheless, Shopify's growth could reaccelerate, as comparisons ease in the latter part of this year. Shopify stated that it is introducing new commercial initiatives and aggressively investing in sales and marketing to boost its subscription solutions revenue by extending its addressable market further and increasing its penetration in the existing markets.

Furthermore, Shopify is expanding its existing products into new geographies and rolling out new features, which will drive its merchant solutions business.

It's worth mentioning that Shopify's gross payment volume accounted for 51% of the gross merchandise volume processed in Q1 of 2022 compared to 46% in the prior year. This indicates that merchants are quickly adopting its payment offerings, which is positive.

It continues to invest in the POS and Shopify fulfillment network, which provides a solid foundation for long-term growth. Also, Shopify announced the acquisition of Deliverr, an e-commerce fulfillment

technology provider.

The acquisition is likely to strengthen its fulfillment network further and enable fast delivery, supporting merchant growth on its platform.

Shopify's partnerships with leading social media companies have strengthened its position in the fast-growing social commerce market and added new sales and marketing channels for its merchants.

## Valuation at multi-year low

Shopify's strong competitive positioning, aggressive investments to fuel long-term growth, and secular tailwinds provide a solid foundation for growth. However, its stock is trading at a significant discount.

Shopify stock is trading at a next 12-month EV-to-sales multiple of 6.5, which represents a massive discount from its historical average. Further, it is at a multi-year low, providing an opportunity to accumulate it for the long term.

## Final thoughts

The tough year-over-year comparisons, uncertainty over consumer spending and economic growth amid high inflation and rising interest rates, and accelerated pace of investments are likely to take a toll on its Q2 revenue and margins.

However, Shopify's growth would reaccelerate as the year progresses and comparisons ease. Moreover, the benefits from its investments will likely support its growth.

Over the longer term, Shopify is well positioned to capitalize on the digital shift led by new product launches, higher payments penetration, and expansion into new geographies.

Furthermore, its solid investments in the commerce infrastructure and strengthening of its own fulfillment network bode well for Shopify and investors.

Shopify stock is attractively priced at current levels, providing an excellent opportunity for buying for TFSA investors.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

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

### PARTNER-FEEDS

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