Young Investors: Shopify (TSX:SHOP) Stock May Finally Be Worth Buying

Description

Tech stocks have been enduring one of the worst selloffs since the dot-com bubble of 2000. While there's no telling when the pain will end for all of the innovative firms out there, I think that young investors should look to the wreckage for value. Yes, value and tech together seem to be an oxymoron, especially these days.

However, there will be a point where growth will become the new value. After shedding a majority of their value, a lot of high-tech innovators are looking too cheap for their own good. Even if they don't hold profits in their near- to medium-term futures, growth stocks still have a lot to offer from a long-term perspective.

Growth stocks are starting to get cheap

Undoubtedly, the longer out you have to look for earnings; the more impact higher rates will have on their share prices. Further, it's harder to predict the distant future compared to the near future, especially given many variables tend not to be factored into an investor's financial model. Competitive pressures that are known today may be evaluated, but what about firms that don't yet exist or are not yet on one's radar? It's these risks — the ones we're not aware of — that can bite us when investing in growth.

In any case, young investors have time on their side. They have the ability to stomach further volatility. And if they show the willingness to, I'm not against being a buyer of battered tech stocks right here, right now.

There's not much to look forward to. But sometimes, you need to think long term. Good things can still happen, and they could catch markets by surprise. Inflation rolling over such that the U.S. Federal Reserve doesn't need to hike as much could pave the way for an epic rebound in high-multiple tech stocks. Though nobody knows when inflation will plunge, I think that those who wait for it to happen will find themselves having to pay much higher multiples for today's beaten-down names.

Shopify stock crumbles

Without further ado, consider **Shopify** (TSX:SHOP)(NYSE:SHOP), a popular e-commerce darling that's imploded on itself. At its worst, shares lost more than 80% of their value, marking one of the worst selloffs in the company's history. At $500 and change per share, Shopify is attempting to stage a comeback. However, it needs rates to cool to sustain a bounce. Though Shopify, the business, is faring well, with an ambitious push into payments and other market verticals that could reignite growth, investors seem more focused on bracing themselves for the impact of a recession.

A recession and higher rates are a one-two punch to the gut of Shopify. Retail has been a disaster this week, and if rates ascend any higher, there's a risk that the bottom could fall out from SHOP stock once again. In any case, young investors should look to be a buyer of this dip.

At writing, Shopify stock trades at 9.4 times sales, making it the cheapest it's been from a price-to-revenue standpoint in years. With a 315 times earnings multiple, though, Shopify could face increasing pressure, as investors demand profits over sales growth.

At the end of the day, the company is a disruptive force in retail with a massive total addressable market (TAM) and a management team that knows how to get the job done. Though recent earnings were brutal, it's hard to pass up on today's risk/reward scenario.

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