



Shopify Stock: What Investors Should Do if it Falls to \$300

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) continued to fall this week after the Victoria Day weekend. Tech stocks in general drifted lower, and Shopify stock fell over 10% on Tuesday. This came after the tech sector became influenced by the potential for lower revenue and income expectations in the coming quarters.

What happened?

Snapchat seems to be the culprit of this latest drop in Shopify stock. The company announced to employees that it's likely to fall short of its guidance. This didn't bode well for other social media companies, which lost over US\$180 billion in [market value](#) on Tuesday.

Shopify stock wasn't immune to the drop, falling as well. Although it's not a social media company, it goes to show that it simply doesn't have the power it once did. Whereas social media sites are fighting for advertising revenue, Shopify stock is fighting for consumer dollars. And with inflation rising, and interest rates set to continue climbing, consumers simply aren't consuming as they were this time last year.

52-week lows

Shopify stock fell near 52-week lows on Tuesday, closing out the day at \$416. That's *incredibly* close to turning into the \$300 range — a range that hasn't been touched since back in 2019. Meanwhile, the company is just ahead of a stock split due next month.

Year-to-date shares of Shopify stock have fallen 76%. While it trades at a price-to-book ratio of 4.66, its [price-to-earnings](#) ratio remains quite high, trading at 287.21 times earnings. But the big question is whether all this poor performance is necessary. And that's where we turn to analyst recommendations.

What analysts say

I'm not going to sit here and pretend that all analysts are saying to buy Shopify stock. It's simply untrue. Right now, the company is quite volatile when it comes to share performance. But when you look at the company's performance overall, especially long term, it tells a different story.

The biggest present issue that analysts have with Shopify stock comes down to its latest earnings report. The company missed estimates, and then announced it would acquire Deliverr for US\$2.1 billion. All while its growth and profitability continues to slow down.

Shopify stock already announced it expected a slowdown, but that was before inflation and interest rates hit. Whereas before, it was potentially a sign of a maturing company, now investors are realizing this is still a new company with not as much profitability on hand as one would want.

Fewer merchants are signing on to the program, even as Shopify offers loans to new merchants. So, even though revenue rose 22% year over year, it was the slowest quarter in the company's seven-year history.

What happens at \$300?

If you're wondering about what happens at \$300, you're likely thinking about a long-term investment. And that is where analysts believe today's investor should be looking.

Growth is now returning to around 2021 levels, rather than greater than 2021. And this came with consumer spending reaching enormous heights. With consumers now protecting their spending, there's bound to be a pullback. But just how long is anyone's guess.

Long term, Shopify stock has a solid management team that has a strong track record of execution. But when shares traded around \$600, analysts believed that was represented in the company's share price. So, if shares fall to \$300, that could represent 100% growth.

Shares could indeed fall below \$300 due to a potential recession and further fall of the market. The tech sector remains quite volatile, and Shopify is one of the most volatile stocks out there. But long-term investors should remember that this is a strong company that could provide them with years of returns — if they can stomach it for the next decade.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. alegatewolf
2. kduncombe

Category

1. Investing
2. Tech Stocks

Date

2025/08/29

Date Created

2022/05/25

Author

alegatewolf

default watermark

default watermark