



## Shopify (TSX:SHOP) Stock: Is the Bottom Here Yet?

### Description

It's difficult to predict when a stock that has been going up for a while will reach its peak. You may buy as soon as the stock drops, but it might be a temporary dip. It's the same for determining when a stock has entirely fallen. It's challenging to identify the exact price point.

You can look at other factors to make a more accurate assumption. For example, if external factors like an industry-specific decline, sector-wide fall, or a more broad-spectrum factor like the pandemic, which might be pushing down the stock, are becoming a non-issue or reverting course, the stock's decline may be ending.

However, it's still challenging to identify the exact rock-bottom point for a falling stock — a difficulty prospective **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) investors are facing.

### Shopify stock decline

Shopify stock has been on a downward spiral for a while now. The stock started falling hard after reaching an all-time high above \$2,100 per share in Nov 2021. So far, the stock has come down 78% from its peak and is currently trading near the mid \$400s price point — a significant step down from the four-digit peak is reached.

There are multiple reasons for the fall. The e-commerce boom during the pandemic, which pushed it and other e-commerce businesses higher than they would have otherwise reached following their usual course, has been receding as the world falls back to its regular patterns. The tech sector is falling hard, not just in Canada but also across the border.

And finally, the recent earnings have indicated that even after falling so hard, the stock is relatively overvalued, with a price-to-earnings ratio of 260.

None of these factors are going away, though the tech sector recovery might become the first to trigger. The e-commerce boom regaining enough traction to set Shopify back on track (financially) will likely come next, and a drop in valuation can expedite the recovery pace for Shopify stock.

## Should you buy it now?

If you believe the bottom is finally here, you should buy now. But has the Shopify stock fallen as much as it's going to? Probably not. It's the valuation that has tied the knot on this notion. If the stock remained as attractively valued as it was before the current earnings, the recovery would have seemed closer. But now, the stock might fall further, maybe even as low as early \$300s.

However, the probability of Shopify stock falling to a double-digit price tag is relatively low. It's still a market leader, especially in North America, and boasts a decent recurring rate. The users are also growing at a decent pace, and its ecosystem of applications and features is also rapidly expanding. Most of the core strengths are still there and will become the primary catalysts for the recovery.

## Foolish takeaway

Shopify is not just an e-commerce stock; it's also a [tech stock](#) and is currently suffering from the sector's fate as well. And if the sector starts recovering, the stock might feel some upward push, which may carry it upward for a while or become the starting point for the next long-term bull run.

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