



## Shopify (TSX:SHOP): A Top TSX Growth Stock for 2022's 2nd Half?

### Description

The first half of 2022 has been a disaster for almost every investor who's not 100% invested in oil and gas stocks. Indeed, technology stocks have been hammered, with the tech-heavy Nasdaq 100 nosediving around 30% from peak to trough.

Meanwhile, Cathie Wood's **ARK Innovation Fund** has shed nearly 75% of its value from its 2021 peak levels. It's hard to remember when Cathie Wood was putting the rest of the markets to shame. Though her fund has blown up in a big way, she continues to double down on many of her favourite names that are now trading at a fraction of where they were sitting just a few months ago.

The tech crash has been violent, but if you're young, with a long-term horizon and the ability to cope with steep double-digit losses on a week-to-week or month-to-month basis, why not at least nibble (or dollar-cost average) your way into a position in some of the most oversold growth stocks on the TSX Index?

## TSX growth stocks are beaten down: Can they recover in the second half of 2022?

Growth stocks are harder to value, and they're misunderstood at a time like this. The magnitude of headwinds is unbelievable. Whether we're talking about the "hangover" from last year's pandemic pull-forward in demand for certain technologies, a coming recession, or higher interest rates — the kryptonite for companies that aren't yet profitable.

It's not easy to be a buyer of merchandise that's been marked down sharply in a hurry. However, I think the young and venturesome should give some of the beaten-down tech darlings another look. Like it or not, there's no bell that goes off when the tech selloff concludes. And when it does finally end, it's the biggest losers that could lead the market's rally.

Now, I have no idea if the second half of 2022 will be any better. Regardless, it's worth noting that the market is already pricing in some expectation of a recession. If there's no recession or if it's mild, rates

may not have to rise as fast, and tech could surge nearly as quickly as it tumbled.

The timing will be uncertain, and there's sure to be pain until inflation rolls over. In any case, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is one e-commerce firm that seems to be getting cheap amid the recent weakness in retail.

## Shopify stock crash: Retail weakness adds more selling pressure

The recent [retail wreck](#) has been horrific, with e-commerce companies taking a brunt of the damage. Shopify stock shed over 80% of its value, with no relief in sight. It's not just higher rates that could take a stride out of the firm's step. A weakening consumer could also set Shopify back. In recent months, analysts have been busy lowering their price targets, recommendations, and sentiment. Some have taken a 180-degree stance reversal just because of the stock price action. Such moves have frustrated CEO Tobias Lütke, who still believes in his firm's longer-term growth prospects.

Investors, like Lütke, may be upset over the tech wreck, but given how oversold shares are, they should be rejoicing, as it presents an opportunity to own more of the business at a lower price. Why would anyone be upset about such? Sure, the macro picture has faded, but I wouldn't fear the waves of downgrades hitting the stock. Shopify is too resilient, and it will rise out of the downturn a stronger company, perhaps much stronger than rivals that succumb to the economic pressures.

## Bottom line

Shopify stock has been a disaster this year. It's hard to believe just how far the stock has fallen. Regardless, investors should not give up on the firm just because others have. The company will continue moving forward, even as headwinds push it back a few steps.

At the end of the day, Shopify has all the ingredients of a wonderful growth company. Though it's hard to value, given the many uncertainties facing the exogenous environment, I'd be more than comfortable paying eight to 10 times sales for the company, given the calibre of management and its ability to operate through tough times.

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