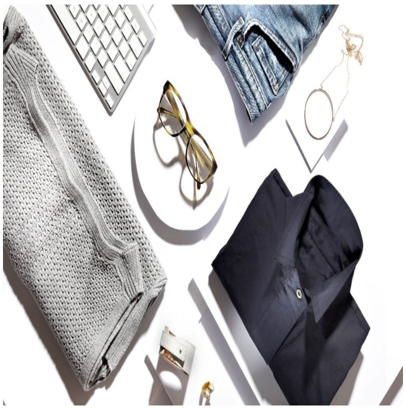

At Last: The Right Time to Buy Shopify (TSX:SHOP) Stock?

Description

Investors start becoming plagued by legitimate worries when a stock is declining at an unprecedented pace and for longer than a justified correction. And the primary concern is whether the stock is just discounted (with a decent recovery potential) or if it has gone down for good (or at least, for a relatively long time).

These concerns are overinflated when the market behaves a certain way, as it is now. The tech sector is going through a rough phase, and Canadian e-commerce companies are being squeezed the hardest. And the collective weight of these factors has been pressing down on **Shopify** (TSX:SHOP)(NYSE:SHOP) for some time now.

The question is whether it's a perfectly ripe bargain right now or a dangerous acquisition. There is relatively little concern about whether Shopify stock will reach four digits again, but the timing is uncertain. If it takes the stock the next four or five years to reach that point and double the investors' money who buy now, wouldn't their capital be better off in other fast-growing assets or recovery bets?

Is it time to buy Shopify?

Shopify stock has been falling for quite a while, but lately, the fall has been more modestly paced. It might indicate the downward trend is slowing down but not entirely stopping, so buying now might not yield maximum gains when the stock starts recovering.

The current valuation can also be considered an indicator of further decline to come, even though the stock might not fall down enough to bring the price-to-earnings multiple to double digits. Shopify is also making some risky bets right now, like doubling down on crypto and allowing over two million merchants the option to accept payments in crypto.

Shopify is also going for a 10-to-1 stock split *if* the vote for approval passes. There might be even more certainty leading up to that point.

If the stock continues to fall, you might consider waiting for the next earnings report before buying. If the earnings are significantly better than the last quarter's, there might be an immediate uptick, which *may* carry the stock to the next bullish phase.

The tech sector

The tech sector has started showing some positive movement in the last couple of weeks. However, the "recovery," if we can call it that, is still quite nascent. If the tech sector starts recovering at an expedited pace and we start seeing recovery in other e-commerce stocks in Canada, primarily **Lightspeed**, it may drive more investors towards Shopify.

That's the secondary trigger for the stock recovery. It might not be as potent as the stock recovering by improving its fundamentals like its earnings, but it can still be enough to drive away the pessimism surrounding Shopify.

Foolish takeaway

Shopify has been one of the top stocks on the TSX for growth for quite a few years now, and its remarkable growth is still fresh in most investors' minds. And they may start investing when signs of recovery become evident. That's because even if the stock just reaches $2,000 a share again (without the split), it can offer more than four-fold growth if you buy now.

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