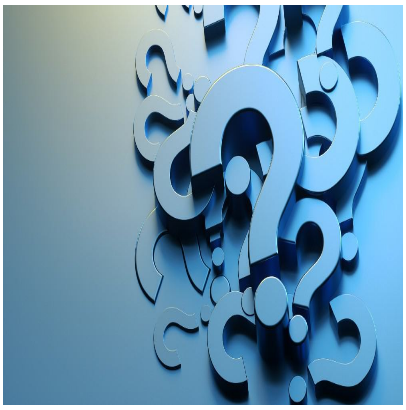

Will Shopify (TSX:SHOP) Fall Below $100 Per Share?

Description

Up until a few weeks ago, the probability of **Shopify** (TSX:SHOP)(NYSE:SHOP) falling below $100 per share would have seemed weak. But now, when one of Shopify's early institution investors, Mawer is pulling out from Shopify, things seem a little bleaker.

Mawer's decision has come in the wake of Shopify's ambitious $2.1 billion acquisition of Deliverr, which made the investor think that the company has stretched itself too thin (financially). Mawer also identified other reasons to bail Shopify, including a crowded e-commerce space and **Amazon** encroaching on Shopify's territory. But it did say that the company might again become part of their portfolio.

Chances of Shopify stock falling below $100

There is a serious possibility that the Shopify stock *may* fall below $100, but the possibility of the stock recovering is higher. The tech sector in Canada is finally turning the corner, and the sector-wide recovery momentum might trigger a buying frenzy, as investors wouldn't want to miss out on the discounts that Shopify is offering right now.

That's because even if there is a relatively small probability that the stock will reach its former peak (over $2,000 per share), then buying at the current price easily guarantees over 400% growth.

The shareholders have also approved a ten-to-one stock split, which is expected to give more power to the founder, and shareholders showing confidence in the company's management is a good sign of its organic recovery potential.

Should you buy Shopify now?

The chances of Shopify falling to a double-digit price tag are quite low, especially without a strong negative trigger. But that doesn't mean that the stock won't go down again or go down further. There is still a lot of uncertainty, and the stock may fall further below, especially if the sector as a whole dips.

Your goal should be to snap as good a discount as possible. If you buy below $400, even recovery to $1,000 a share, which is highly probable, would net you about 250% returns. And the further it falls, the better it would be for your return potential.

One major chink in Shopify's armor right now is its earnings and valuation. After such a drastic drop, the valuation should have shrunk to a more reasonable number. But a price-to-earnings of over 285 might keep investors at bay for a while. However, if the company posts decent earnings in the next quarter and the valuation goes down, the stock may see a boost independent from the sector.

Foolish takeaway

The tech bear market is close to reaching its zenith, and if an organic recovery is right around the corner, Shopify shouldn't be the only tech stock on your radar. The boom in the pandemic days pushed e-commerce companies like Shopify too high, too fast, and the companies/stocks are taking their time reconciling with the current market realities.

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. adamothman
2. kduncombe

Category

1. Investing
2. Tech Stocks

Date
2025/08/28
Date Created
2022/06/15
Author
adamothman