



3 Killer Reasons to Buy Shopify Stock Today While it's Down 77% YTD

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) has been one of the worst-performing **TSX** stocks in 2022. It currently trades with massive 77% year-to-date losses against a 10.3% decline in the TSX Composite benchmark. While SHOP stock continues to struggle, its consistently improving fundamentals could help it recover sharply in the coming months.

Let me give you three key reasons why I find Shopify stock really attractive at the moment.

Innovation and expansion continue at Shopify

When picking the stock to invest in, it's always a good idea for investors to pay attention to a company's long-term fundamentals and product innovations. On June 22, the Canadian e-commerce platform giant [unveiled](#) Shopify Editions — its new semi-annual product showcase, which aims to demonstrate the new launches and improvements in its platform. For some of its new releases, Shopify has partnered with tech giants like Google and **Twitter**. Overall, the Canadian tech company unveiled more than 100 new updates and launches, including B2B on Shopify, Tokengated Commerce, Twitter Shopping, Tap to Pay on iPhone, Local Inventory on Google, and Shopify Functions.

Previously in May, Shopify revealed its intentions to acquire the American e-commerce fulfillment technology company Deliverr in a deal worth about US\$2.1 billion. This deal aims to expand the Shopify fulfillment network and significantly improve logistics to benefit businesses on its platform. These efforts are likely to help Shopify attract more merchants to its commerce platform and accelerate its financial growth in the long run and drive its stock higher.

Analysts expect it to double in a year

In the last few months, Shopify stock has seen a series of downgrades from many notable Street analysts. But if we look at analysts' consensus target price even after these downgrades, SHOP stock has huge upside potential. Currently, Street analysts' consensus target price on Shopify stock for the next 12 months is \$84.67 per share, reflecting an upside potential of roughly 110% from its current

market price of \$40.35 per share.

Shopify stock is way too undervalued

After posting an outstanding 85.6% YoY (year-over-year) revenue growth in 2020, Shopify's sales growth rate eased in 2021 to around 57.4%, as the pandemic-related e-commerce demand surge started subsiding. The gradually subsiding COVID restriction-driven demand is the main reason the company now expects its top-line growth rate in the ongoing year to be lower than 2021. While any rational person wouldn't expect pandemic-fueled demand to continue benefiting Shopify forever, the company is still expected to register solid double-digit sales growth in 2022. Despite these positive expectations, Shopify stock has been one of the biggest victims of the recent tech meltdown.

The [tech sector](#)-wide selloff, which started in December last year with investors' fears about most high-flying stocks being overvalued, continued in the second quarter amid multiple macro-level concerns. Rising geopolitical tensions, high inflation, and fears of near-term recession have accelerated the tech meltdown lately. As a result, Shopify's stock price dived by 52.4% in Q2 after posting 51.5% losses in Q1.

Overall, these macro-level concerns are the main reason why SHOP stock has seen a massive 77% value erosion in 2022, making it look too undervalued.

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