Market Correction: 1 Oversold Growth Stock You Can Buy Right Now

Description

Shopify (TSX:SHOP)(NYSE:SHOP) is Canada's largest e-commerce company, with a US$44.87 billion market cap. Also, it is one of the fastest-growing e-commerce platforms in the world, ranked number 37 in the 2021 Fortune Future 50 list.

However, Shopify stock has plunged more than 70% year to date due to the ongoing tech rout. Over the past year, the stock has declined by 75%. Keeping in mind Shopify's revenue and earnings-growth prospects, the stock is in the oversold territory now.

The consensus annual revenue estimate indicates a 26% year-over-year increase in fiscal 2022 and a 31.41% rise in 2023. In addition, analysts expect Shopify's earnings per share to rise by a whopping 165% year over year to US$0.25 next year.

Shopify's robust financials and cash flows have made it one of the most popular Canadian publicly listed companies. In the fiscal first quarter of 2022, its total revenues increased 22% year over year to US$1.2 billion.

Also, the company delivered an impressive 8% year-over-year growth in subscription solutions revenues. Its adjusted gross profit improved 14% from the first quarter of 2021 to US$646.1 million.

Shopify is on an incredible growth trajectory

Shopify's total revenues have risen at a compound annual growth rate of 60% over the past two years, while gross merchandise volume increased at a 57% CAGR over this period.

Over the past three years, Shopify's total assets and levered free cash flow increased at CAGRs of 65% and 195%, respectively. Moreover, the company's levered free cash flow improved at a rate of 253% per annum over the past five years.

As the e-commerce industry gains traction, Shopify is poised to become one of the biggest players in this sector globally. In fact, in order to address the ongoing supply chain challenges, the Canadian e-commerce giant acquired end-to-end logistics platform Deliverr, Inc. for US$2.1 billion earlier this month.

Deliverr's addition to the Shopify Fulfilment Network should boost the inventory management capabilities of the company. The company is now gearing up to launch Shop Promise, which is a one- to two-day delivery guarantee service to customers across the U.S. and Canada.

During the earnings call, Shopify president Harley Finkelstein said, "While we've experienced massive macro shifts since the start of the pandemic, the one mainstay has been that Shopify is the commerce platform of choice for merchants in any environment, with the ability to support commerce on any surface … This has earned Shopify significant merchant trust and the ability to help them with more parts of their business, which is why we are eager to bring Deliverr's team and technology to our merchants."

The Foolish takeaway

The rapid interest rate hikes have been one of the major reasons behind Shopify's poor stock price performance. Nonetheless, the stock is currently trading at an attractive valuation. It is trading merely 7.72 times its forward sales, which is reasonable compared to its historical valuation.

Despite the macroeconomic headwinds, the company is well positioned to grow exponentially in the years to come. Shopify has been taking active steps to streamline its operations during this period of economic uncertainty.

The global supply chain crisis has had a significant impact on the economic recovery of countries worldwide. Shopify has been investing heavily in strengthening its logistics infrastructure to bypass this challenge.

Moreover, the company plans to reinvest its entire gross profit dollars earned back into the business to fund its expansion into the international markets. Thus, Shopify holds the potential to turn into a multi-bagger in the years to come.

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Date
2025/08/28
Date Created
2022/07/11
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