



## Can Shopify (TSX:SHOP) and the Tech Sector Fly High Again?

### Description

The **TSX's** worst performance in recent years was 2018. Canada's primary equities index lost 11.64% overall. Market analysts said it was the correction year with nine of 11 primary sectors posting negative returns. The consumer staples sector didn't lose, although the gain was only 0.7%.

The year saw the rise of Canadian technology stocks that collectively delivered an annualized price return of 11.7%. In the following year, the TSX recovered and posted a 19.13% gain. The [technology sector](#) was the star of the show once more in 2019 with a total return of 60.2%.

In 2020, the COVID-19 pandemic triggered a market selloff in March, but the TSX staved it off, ending in the red (+2.17%) thanks to technology stocks. The sector, led by **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), delivered a mind-boggling 80.6% total return for the year.

As of this writing, the tech sector is down 39.04%, while the tech superstar is losing by 76.05%. Can Shopify regain lost ground and lead the rebound of the tech sector?

### Top growth stock

Shopify is the face of TSX's technology sector in the last three years. It was included in all three years of **TMX Group's** flagship program for growth stocks. The commerce platform placed first in 2020 and ranked second in 2019 and 2020. In 2020, Shopify dislodged **Royal Bank of Canada** as the most valuable company on the TSX.

Unfortunately, the reign didn't last long following the tech stock's violent fall. As of July 13, 2022, Shopify's market cap stands at \$52.25 billion from nearly \$200 billion in May 2020. Other tech giants like **Lightspeed Commerce** (-52.88%), **Nuvei** (-50.09%), and **BlackBerry** (-36.46%) are deep in the red, too.

### Bargain price

Shopify trades at a bargain in 2022, which is unimaginable since the stock is a winner. Investors won in 2016 (+66.16%), 2017 (+135.60%), 2018 (+37.08%), 2019 (+187.17%), 2020 (+184.71%), and 2021 (+21.68%). However, the current share price is \$41.71. Had you invested \$10,000 on year-end 2021, your money would be worth only \$2,394.78 today.

Investors' interest in Shopify waned after management warned of lower revenue growth after 2021 because pandemic tailwinds are gone. In Q1 2022, the company incurred a net loss of US\$1.5 billion compared to the US\$1.3 billion net income in Q1 2021. Market analysts don't see the financials improving in Q2 2022.

## Negative news

Management forewarned employees in April 2022 about organizational changes and an impending overhaul of compensation packages and layoffs in the summer. According to published reports, employees can decide on a pay ratio between cash and stocks. Thus far, only 50 employees have been given walking papers.

Harley Finkelstein, Shopify's president, said, "We are a company that has always thought about this operational discipline, that when there's an opportunity, we want to have enough money and bandwidth to go and seize it. We run our company in a way that I think is very unique to a lot of other tech companies."

He added further, "So, when there's a period of uncertainty, Shopify can get through it easier than others and we can emerge on the other side better, stronger, faster."

## Stock in limbo

No one expected the tech sector in general and Shopify in particular to plunge into the abyss in 2022. Recapturing investors' attention and interest might take a while.

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1. Investing
2. Tech Stocks

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