



Down 13% Today, Is Shopify Stock a Buy, Sell, or Hold Right Now? 3 Investors Weigh In

Description

Shares of **Shopify** ([TSX:SHOP](#)) fell sharply Tuesday after the company said it would lay off 10% of its workers. The shares have experienced a steep decline since November, when they were going for about \$220. Today, they're trading around \$50.

Shopify has long been a Motley Fool favorite, but its performance in 2022 has been disappointing. The latest news – and subsequent stock drop – raises the question: Should investors buy, hold, or sell Shopify today?

Here's what three Motley Fool Canada contributing writers have to say.

Why I'm buying Shopify stock

By Amy Legate-Wolfe

Yes, Shopify shares have dropped significantly — but that shouldn't keep you from investing in them. In my opinion, it should be a catalyst to buy. (You know that Warren Buffett saying about being greedy when others are fearful? Perfect example.)

And yes, Shopify may have more losses coming its way. The company is set to announce earnings Wednesday, and analysts have cut their estimates, citing a drop in e-commerce traffic.

But I'm not one to time a market bottom, so that's why the current share price seems like a great time to jump on the stock. Shopify's new [partnership with YouTube](#) doesn't hurt, either.

As inflation and interest rates eventually stabilize and earnings come in from the new partnership, the next set of earnings results could be more positive. And that could set Shopify stock up for slow growth coming out of 2022 and major growth in 2023 and beyond.

Fool contributor [Amy Legate-Wolfe](#) has positions in Shopify.

Why I'm holding my shares of Shopify

By Vishesh Raisinghani

I bought Shopify a few months ago because I thought the price was justified for its growth rate and had already priced in all the pain. I was wrong. This recent round of layoffs indicates that there's more pain to come.

CEO Tobias Lutke admitted this in a [memo published on the Shopify website](#) Tuesday morning. "We bet that the channel mix — the share of dollars that travel through e-commerce rather than physical retail — would permanently leap ahead by five or even 10 years," he said. "It's now clear that bet didn't pay off. What we see now is the mix reverting to roughly where pre-COVID data would have suggested it should be at this point."

Put simply, the growth spurt is over. Instead, Shopify faces a difficult Christmas shopping period ahead as consumers continue to be squeezed by inflation and a potential recession. As an investor, I'm prepared for a few more bad quarters.

However, I still believe in Shopify's long-term growth potential. E-commerce penetration should continue to expand, even if the rate is more modest in the future. That's why I'm holding the stock and patiently waiting for opportunities to reduce my average cost basis in the future.

Fool contributor [Vishesh Raisinghani](#) has positions in Shopify.

Why I think you should sell Shopify stock

By Puja Tayal

Shopify has been one of the worst-hit companies in the tech stock sell-off, losing 81% value from its November 2021 high. Not only did the tech bubble strip Shopify stock of all its pandemic-inflated value, but it's also pulled shares below their pandemic low. And now, the company's layoff announcement hints that Shopify's long-term growth story is not as rosy as it seems.

A [Harvard Business Review article on the Great Recession](#) noted that companies that relied on layoffs to cut costs had difficulty recovering when the economy picked up. Layoffs are expensive, and hiring and training new staff when the economy bounces back saps resources during what should be a golden time of recovery. Going by the findings of the study, the layoff could slow Shopify's recovery and give competitors an edge.

The company has US\$7.7 billion in cash reserves that can help it survive in a recession, but my uncertainty about its ability to tap the recovery and maintain market share makes me bearish on the stock today.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. 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. tmfwordnerd

Category

1. Investing
2. Tech Stocks

Date

2025/06/28

Date Created

2022/07/26

Author

motley-fool-staff

default watermark

default watermark