Down 70%, This Could Be the Best Stock-Split Stock in Canada to Buy and Hold Forever

Description

Tech stocks saw a massive crash in the first half of 2022 amid concerns related to high inflation and rising interest rates. Increasing geopolitical tensions and fears about slowing global economic growth added fuel to investors' worries, accelerating the tech meltdown further. Multiple growth companies across North America have recently chosen to split their stocks. These big names include companies like **Amazon**, **Tesla**, and **Shopify** (TSX:SHOP)(NYSE:SHOP). While these moves might not make any real change in these companies' fundamentals, stock splits certainly make their stocks more affordable for investors to own, which could lead to renewed buying from retail investors.

Shopify's recent stock split and governance structure updates

On April 11, Shopify announced a 10-for-1 split of its Class A and Class B shares and proposed some updates to its governance structure, which the company claimed would support its long-term growth.

In its press release, the company highlighted that its Class A shares had one vote per share in the governance prior to these changes, while the Class B shares had 10 votes per share. With this, Class B shares had "a controlling position equivalent to approximately 51% of the total voting power."

The proposed updates to Shopify's governance targeted to set and preserve the voting power of the company's founder and CEO, Tobi Lütke, by issuing a new class of shares to him: the Founder shares. Shopify's shareholders approved these proposed changes in governance structure along with a 10-for-1 split of its Class A and Class B shares on June 8. The stock split finally came into effect on June 29 for investors when its shares started trading on a split-adjusted basis on the exchange.

The best stock-split stock to buy in Canada

After delivering an eye-popping 2,919% return in the previous five years, Shopify stock came under pressure this year. Currently, it trades at $51.90 per share — down 70.2% from 2021's closing price of $174.17 per share (after taking into account its recent 10-to-1 stock split). Apart from the macro concerns-driven tech sector-wide crash, investors' fears about the Canadian e-commerce company's slowing sales growth in the post-pandemic world were responsible for its massive stock losses.

Its slowing sales growth rate, however, didn't come as a surprise to me, as it was something the company was already warning investors about for several quarters. Moreover, you can't expect pandemic-related reasons that drove a massive surge in demand for Shopify's services to continue benefiting it in the post-pandemic era.

Shopify is still continuing to post strong double-digit year-over-year revenue growth in 2022, despite reopening physical businesses, which I consider to be a huge positive factor. In the first half of 2022, the company reported a nearly 19% increase in its total revenue to around $2.5 billion.

Foolish bottom line

In the coming years, I expect Shopify's sales growth rate to improve further, as the digital commerce trend has just started gaining steam and still has huge growth potential. Given these positive factors, I don't find any key reason justifying SHOP stock's massive 70% year-to-date losses, making it worth buying now when it's way too cheap and holding forever.

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Date
2025/08/27
Date Created
2022/08/11
Author
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