The Biggest Reason Why I'd Buy Shopify Stock in Bulk Right Now and Hold for 20 Years

Description

Most high-flying tech stocks in Canada have seen a massive crash in 2022. At the start of the year, many tech companies started warning about the possibility of high inflationary pressures affecting their earnings in the near term, leading to a tech sector-wide meltdown. As inflation continued to surge, central banks in Canada and the United States had to intervene by raising interest rates. Rapidly rising interest rates have intensified the selloff in high-growth tech stocks in recent months, as investors started fleeing riskier assets.

Shopify stock price movement

Despite these macroeconomic uncertainties, the long-term fundamental outlook for many growth stocks remains strong. That's why I consider the recent crash in their share prices to be an opportunity for long-term investors to buy such growth stocks at a big bargain, as many of them look highly undervalued at the current market price.

For example, **Shopify** (TSX:SHOP)(NYSE:SHOP), arguably the most popular Canadian tech stock, continues to be the biggest loser on the TSX this year. At the time of writing, this Canadian growth stock was trading with massive 76.4% year-to-date losses at $41.09 per share against the TSX Composite benchmark's 9.6% decline in 2022.

Shopify has delivered outstanding returns to investors since its listing on the exchange in May 2015. At the end of 2021, this SHOP stock was up by a solid 2,919% in five years — clearly reflecting analysts' and investors' optimism about the company's future growth potential. So, what has actually changed in the last year that has led to such a massive crash in its stock? Let's find out.

Why SHOP stock is worth buying right now

Apart from the external macroeconomic concerns that I highlighted at the start of this article, bears blame Shopify's slowing YoY (year-over-year) sales growth rate for a big selloff in its stock. As pandemic-related restrictions started affecting businesses across the world, the demand for Shopify's easy-to-use e-commerce services skyrocketed in 2020. This is one of the key reasons why the company reported an 86% YoY jump in its revenue, which helped its adjusted earnings grow by 1,227% that year. In 2021, the Canadian tech giant's revenue grew further by 57% compared to the previous year to US$4.6 billion.

Without the favourable impact of the pandemic on the e-commerce demand, it might have taken Shopify many years to achieve this revenue level, in my opinion. And that was one of the key reasons why SHOP stock jumped by 237% in 2020 and 2021 combined, justifying its outstanding financial performance. But neither can you expect the pandemic nor the pandemic-driven temporary demand surge to last forever. That's why Shopify now expects its top-line growth rate to decline further in the ongoing year.

Nonetheless, the company is still very likely to post solid double-digit sales growth in 2022, despite all the macroeconomic uncertainties it's facing now, which I would consider a big achievement for Shopify.

Given all that, a more than 75% year-to-date decline in SHOP stock makes it look extremely undervalued, as its long-term growth potential might remain largely unaffected by the ongoing temporary macroeconomic issues.

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jparashar