



Is Now the Time to Load Up on Shopify Stock?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) is a prominent e-commerce player, providing a platform for small- and medium-sized businesses (SMBs) to set up online stores. Following the pandemic, Shopify stock boomed, as growth accelerated back toward triple-digit levels. However, as macro pressures abound, this company is one many investors have avoided, particularly as a result of the company's valuation.

Launched by co-founders Daniel Weinand, Scott Lake, and Tobias Lütke after they faced difficulties with existing e-commerce platforms, Shopify has discovered that assisting SMBs in setting up their online operations can be very profitable. This company has expanded into a number of verticals that have garnered even more growth, enticing investors along the way.

That said, with [growth](#) slowing, the question is whether Shopify stock is worth a bet right now. Let's dive in.

Growth slowdown could continue to hit Shopify

Perhaps the key reason why the bears have been winning on Shopify stock of late is the company's rather lacklustre earnings. While these are backward-looking metrics, and on top of very strong 2021 numbers, slowing growth for a company like Shopify matters a great deal.

The company's second-quarter (Q2) numbers provided top-line growth of only 16% year over year. Now, while that's still a lot better than most companies in the market, for Shopify, that's a dramatic decrease. Last year's Q2 saw the company grow by 57%, boosted by pandemic-related tailwinds that are no longer there.

Additionally, perhaps the key number that drew the attention of long-term investors was Shopify's reported adjusted net loss of \$38.5 million. This is in contrast to an adjusted net income of \$284.6 million in the year-ago quarter. It appears that Shopify's marketing and research and development expenses, which have continued to rise, have now outpaced the company's revenue growth rate. Thus, something has to give for this company to become profitable again.

Positives for Shopify stock

Now, it's not all doom and gloom for Shopify. This is a company that has seen significant progress on a number of fronts.

In particular, the company's customer base has doubled from pre-pandemic levels. Its gross merchandise value (GMV) for last year was a little more than \$175 billion, which made Shopify's GMV nearly half that of **Amazon's** marketplace.

This recent slowdown in revenue growth is a problem. But it was expected, as the United States' GDP (gross domestic product) shrunk for two quarters straight, and inflation surged to multi-year highs that put pressure on household spending.

The shift toward e-commerce will likely be a long-term secular trend. And many believe that Shopify will stay a prime beneficiary of that growth, as it offers the go-to product suite of analytics tools and software for businesses willing to go online without relying on platform titans like Amazon.

Bottom line

Admittedly, multiple near-term headwinds are there for Shopify. Still, many experts believe that Shopify stock looks quite attractive at levels of around \$40 per share. While Shopify is down materially, this is a company that may be worth a bet from long-term growth investors at these levels.

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