



## Better Buy: Amazon vs. Shopify Stock

### Description

The tech-heavy Nasdaq Composite Index is down 36% from all-time highs. Some [technology stocks](#) have burnt massive wealth for investors year to date due to a mix of sky-high valuations and macroeconomic challenges. Typically, growth stocks crush broader market returns during a bull run but significantly trail major indices when sentiment turns bearish.

For example, shares of e-commerce giants **Amazon** ([NASDAQ:AMZN](#)) and **Shopify** ([TSX:SHOP](#)) are trading 42% and 83% below record highs, respectively. But the pullback provides investors an opportunity to go bottom-fishing and purchase quality stocks at a discount. So, let's see which tech stock between Amazon and Shopify should be part of your portfolio right now.

### Is AMZN stock a buy in Q4 of 2022?

One of the largest companies in the world and the top e-commerce platform globally, Amazon is valued at a [market cap](#) of US\$1.09 trillion. Despite the weakness in AMZN stock price in the past year, it has returned a whopping 748% to investors since October 2012.

Due to its leadership position in the e-commerce space, Amazon has experienced steady growth in revenue. It also entered high-growth verticals such as online streaming and cloud computing in recent years, establishing multiple revenue streams in the process. In fact, Amazon is the largest public cloud infrastructure company, the second-largest streaming company, and the third-largest digital ad platform in the world.

Amazon stock is valued at less than two times forward sales and 47 times forward earnings. It shows the tech giant continues to sacrifice profitability for growth. Further, a higher pricing environment coupled with supply chain disruptions will weigh heavily on Amazon's earnings in the near term.

While e-commerce still accounts for a majority of Amazon sales, its cloud business, known as Amazon Web Services, generates a majority of company profits. Its Prime membership program has close to 250 million subscribers, allowing Amazon to grow key revenue streams and maintain its economic moat in the future.

Amazon's cheap valuation, stellar revenue growth, and diversified revenue base make it one of the most compelling bets in the fourth quarter (Q4) of 2022. Analysts remain bullish on AMZN stock and expect shares to gain over 60% in the next year.

## Is Shopify stock overvalued or undervalued?

One of the worst-performing [stocks on the TSX](#), Shopify's deceleration in revenue growth has driven shares toward multi-year lows. The onset of the COVID-19 pandemic boosted demand for Shopify's suite of products and services, as several small and medium businesses set up an online presence to survive.

While Shopify's sales almost tripled between 2019 and 2021, analysts now expect the top line to grow by "just" 27% year over year in 2022. Further, a massive decline in earnings this year has dragged SHOP stock lower in the first nine months of 2022.

Similar to Amazon, Shopify, too, should benefit from the rapidly expanding e-commerce market. According to an e-marketer report, total e-commerce sales are forecast to exceed US\$8 trillion in 2026, compared to US\$5.2 trillion in 2021, providing enough room for digital platforms to further improve their sales.

SHOP stock is priced at six times forward sales, which is quite high given the company might report an adjusted loss per share of \$0.16 in 2022.

## The Foolish takeaway

Both Amazon and Shopify are well positioned to deliver outsized gains to investors in the upcoming decade. But Amazon's attractive multiples and leadership position across several high-growth verticals make it a better bet compared to Shopify in 2022.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:SHOP (Shopify Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

#### **PP NOTIFY USER**

1. araghunath
2. kduncombe

#### **Category**

1. Investing
2. Tech Stocks

#### **Date**

2025/08/26

#### **Date Created**

2022/10/17

#### **Author**

araghunath

default watermark

default watermark