Where Will Shopify Stock Be in 5 Years?

Description

Shopify (TSX:SHOP) stock has been completely obliterated this year; it's now down around 70% year to date and around 80% from its all-time high not seen since last November. Undoubtedly, Shopify used to be the go-to tech play for many Canadian investors.

It was seen as Canada's answer to Silicon Valley firms. Unfortunately, the inflation surge, rapid-fire rate hikes, valuation reset, and quick reversal in demand for e-commerce sent shares on a round trip right back to the depths not seen since the lowest days of 2020.

Though Shopify shares have since begun to stabilize and march higher (currently at around $47 and change per share), it's still unknown as to how the once-cherished firm can find its way back to the top. Undoubtedly, Canadian investors are going to need to put in the extra homework to ensure Shopify stock doesn't continue to fold in the face of profound macroeconomic pressures.

Shopify will adapt: The platform (and strategy) is still solid

Fortunately, Shopify is more than willing to adapt with the times. The company has been (and likely will continue to be) active on the acquisition front, as it looks to grow its total addressable market (TAM) even further. Indeed, Shopify's intuitive platform is still as valuable as it was last year. Industry dynamics may have shifted, and the economy could be headed for a chilly winter, but Shopify has shown that it still has innovation flowing through its veins.

As tech valuations continue to nosedive, I think Shopify is likely to continue pursuing attractive acquisition opportunities. If anything, the firm may use a 2023 economic recession to its advantage. At the end of the day, Shopify is an innovator. As long as it sticks to what it does best (winning over the hearts of merchants by making their lives easier), I think it will not only fare better in a downturn but come out roaring once it's time to grab the next bull market by the horns.

Until then, it's going to be a painful slog for Shopify shareholders, as they look for the stock to find its footing in a market environment weighed down by an incredibly hawkish Bank of Canada. Higher rates will translate to more pain for growth stocks. And Shopify will be up against it if we're to deal with larger or more frequent interest rate hikes over the next 18 months.

Looking further out (five years), there’s a strong case that Shopify stock will end up much higher than current levels. Though new highs seem far-fetched, I wouldn’t rule it out if the Fed reversed course on rates. In any case, Shopify’s ecosystem will surely be much better in five years, as it continues innovating and integrating newly acquired assets (think Deliverr).

Shopify CEO buys the dip with $10 million

Regardless, Shopify is in it for the long haul. Its chief executive officer Tobias Lütke still has confidence in his firm, recently scooping up US$10 million worth on shares from public markets. That’s a massive vote of confidence that investors should definitely not take lightly, as the firm looks to sail through one of its worst storms to date.

Though it’s hard to buy after an +80% implosion in shares, I think Shopify is one wonderful business that will live to see better days, given its smart managers and ability to continue delighting its users. With such low expectations ahead of the firm, count me as unsurprised if SHOP stock ends up being more constructive in the new year, soft landing or not.

Shopify is too durable a growth gem. With a mere $44.26 billion market cap, Shopify stock is nothing short of compelling for those seeking an attractive long-term entry point.

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