



SHOP Stock: 3 Reasons I'd Buy it in January 2023, No Matter What the Market Does

Description

Shopify ([TSX:SHOP](#)) stock has started the new year on a strong note, as it has already risen nearly 14% in January so far to trade at \$53.53 per share against the main TSX index's 5.5% gains. It could just be the start of SHOP stock's long-term rally that can help you earn spectacular returns on your investments in the long run.

But if you're still worried about the possible impact of the ongoing macroeconomic challenges on Shopify stock, let me highlight three key reasons that make it a screaming buy in January 2023.

SHOP stock looks undervalued after a massive crash in 2022

Shopify has been one of the most attractive [growth stocks](#) for Canadian investors since it started trading on the Toronto Stock Exchange in 2015. The e-commerce company's impressive financial growth and strong demand for its innovative services pushed its share prices up by 2,919% in five years between 2016 and 2021 from \$5.77 per share to \$174.17 per share (adjusted prices after Shopify stock split in 2022).

However, SHOP stock became the worst-performing TSX Composite component from the tech sector in 2022, as it dived by 73% from \$174.17 to \$47.01 per share within a year. Apart from the pressures it faced due to a meltdown in [tech stocks](#), a slowdown in its financial growth in the post-pandemic world triggered a massive selloff in Shopify stock.

Nonetheless, the tech company still maintained double-digit top-line growth in the first three quarters of 2022, reflecting underlying strength in its business model. Despite that, SHOP stock has seen 62% value erosion in the 12 months, making it look [undervalued](#) to buy for the long term.

Continued growth initiatives

When investing in a growth stock, you should ensure that you're investing in a company whose

management actively takes appropriate and timely steps to protect profitability and expand the business.

In 2022, when inflationary pressures and a high-interest rates environment apparently started posing a threat to its business growth, Shopify announced plans to reduce its global staff by about 10%. While such cost reduction moves are necessary for businesses to sustain through tough economic times, Shopify is still continuing to make efforts to boost its long-term growth outlook. Apart from new acquisitions to drive growth, Shopify also strengthened its e-commerce portfolio last year by the inclusion of innovative [services](#) Twitter Shopping, Local Inventory on Google, Shopify Functions, and Tap to Pay on iPhone. Similarly, on January 3, Shopify announced Commerce Components to attract large retailers to its platform.

The upcoming bull market could help it skyrocket

On the one hand, the ongoing macroeconomic uncertainties, including concerns about a looming recession, might keep SHOP stock [volatile](#) in the short term. On the other hand, even the most pessimistic Street analyst can't deny the fact that every [bear market](#) eventually turns positive, which could lead to a sharp recovery in [fundamentally](#) strong growth stocks like Shopify. Keeping that in mind, it could be the right time for you to consider adding SHOP stock to your portfolio to expect outstanding returns in the long run.

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