



Better Buy: Shopify Stock or Amazon?

Description

Prior to the sell-off in 2022, [tech stocks](#) delivered exponential returns to shareholders. For example, **Shopify** ([TSX:SHOP](#)) stock went public in early 2015 and surged close to 5,550% between its IPO and the end of 2021. Similarly, shares of **Amazon** ([NASDAQ:AMZN](#)) rose by 1,830% between 2012 and 2021.

However, as macroeconomic conditions deteriorated, investors were worried about the high valuations surrounding these tech stocks. The triple whammy of inflation, interest rate hikes, and a global economic slowdown accelerated the sell-off in 2022.

Currently, Shopify stock is down 70% from all-time highs, while AMZN stock has fallen by 46% compared to its record high. Let's see which beaten-down e-commerce stock should be on top of your shopping list right now.

The bull case for Shopify stock

Despite the pullback in 2022, Shopify is valued at a [market cap](#) of \$80 billion. Shopify is now the second-largest e-commerce platform in North America and is well poised to benefit from an expanding addressable market.

Shopify continues to expand its suite of products and services to increase merchant spending on its platform. In the last year, it has allocated significant resources to build and expand its fulfillment center network. This upgrade should optimize the supply chain for its merchant base.

While the company's top-line growth has decelerated in recent months, Shopify still increased sales by 22% year over year to US\$1.4 billion in Q3 2022. Comparatively, its gross merchandise volume and gross payment volume rose by 11% and 22%, respectively, in the September quarter.

SHOP stock is already up 32% year to date after it disclosed its intention to raise subscription plans for its merchant base for the first time in more than 10 years.

Analysts tracking SHOP stock expect the company to increase sales by 19.5% to \$7.4 billion in 2022 and 19.7% to \$8.8 billion in 2023. So, we can see that Shopify is priced at more than nine times forward sales, which is still quite steep. Nonetheless, analysts remain bullish and expect shares of the TSX tech stock to gain 20% in the next year.

The bull case for Amazon stock

One of the largest tech stocks globally, Amazon is also part of Warren Buffett's portfolio. While it operates the biggest e-commerce platform in the world, Amazon is the largest public cloud infrastructure company and the third largest platform for digital ads.

Amazon reported losses in the first three quarters of 2022 due to a slowdown in consumer spending and rising costs. Additionally, online sales are closer to pre-pandemic levels due to the reopening of economies.

However, e-commerce sales in the United States account for less than 15% of total retail sales, providing enough room for Amazon to grow its revenue in the upcoming decade. Despite lower enterprise ad spending, Amazon's digital ad segment reported sales of US\$26.2 billion in the last three quarters, an increase of 30% year over year. It's quite possible for Amazon to double its ad sales by the end of 2027.

Analysts tracking AMZN stock expect shares to gain 35% in the next 12 months.

The Foolish takeaway

As both Amazon and Shopify are good long-term bets, it might be difficult to pick a winner between the two. Amazon has a more diversified business model, which reduces investment risk for shareholders. But Shopify might deliver higher returns, making it a better buy for those with a significant risk appetite.

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