



Shopify Stock: Here's What's Coming Next

Description

Shopify ([TSX:SHOP](#)) stock continues to be among the top-performing **TSX Composite** components this year. It currently trades at \$65.03 per share, with a solid 38.3% gain in 2023 so far. With this, SHOP stock has also outperformed the broader market by a huge margin. The main TSX index has risen only 6.8% on a year-to-date basis.

Before I discuss what could be coming next for Shopify stock, let's quickly review key factors that were behind its share price movement in recent years.

Shopify stock

Shopify has been one of the most attractive [tech stocks since its listing on the Toronto Stock Exchange](#) in 2015. After ending 2015 at \$3.56 per share, SHOP stock started a spectacular rally in 2016, which continued for the next few years. By the end of 2021, the Canadian tech stock jumped to \$174.17 per share, resulting in an eye-popping 4,792% positive return in six years.

However, this outstanding rally in SHOP stock ran out of steam in 2022 due to various company-specific and macroeconomic factors. Shopify's revenue growth slowed last year as the coronavirus pandemic-driven demand for its services subsided.

In addition, consistently high inflationary pressures raised the possibility of aggressive interest rate hikes at the start of 2022, triggering a massive crash in tech stocks. Investors remained concerned that economic instability might further deteriorate Shopify's topline growth trends in the coming quarters. These were some of the key reasons why SHOP stock tanked by 73% in 2022 to become the worst-performing TSX tech stock for the year.

Then, what's driving it higher this year?

After witnessing a massive value erosion in 2022, SHOP stock is leading the [Canadian stock market](#) recovery in 2023. On the one hand, recent signs of easing inflationary pressures have led to renewed

buying in many beaten-down growth stocks this year so far. On the other hand, the possibility of a looming recession is still haunting investors, forcing them to stick to [fundamentally](#) strong, large-cap tech stocks like Shopify. This could be the main reason why it continues to be the top-performing TSX stock this year.

Can Shopify stock continue soaring?

In 2021, Shopify's revenue grew positively by 57% YoY (year over year) to US\$4.6 billion. Its sales growth in the first three quarters of 2022 slowed to 19.6% YoY. Clearly, subsiding pandemic-related demand has affected its business growth lately. Nonetheless, it's worth noting that the tech firm is still able to maintain a double-digit YoY sales growth rate even amid inflationary pressures and slowing global economic growth.

Moreover, Shopify has already started reducing its cost burden to prepare for a tougher economic environment while continuing to focus on long-term growth initiatives. Last month, the Canadian tech company announced Commerce Components to make its platform more attractive for large enterprise retailers. With this, Shopify also announced that the American toy company **Mattel** would soon bring its entire portfolio of brands to the Canadian company's platform.

That said, economic uncertainties that were haunting investors in 2022 haven't suddenly disappeared in 2023, as I noted above. That's why the possibility of SHOP stock remaining volatile in the near term can't be denied completely. But given its continued focus on long-term growth-oriented efforts, this Canadian growth stock still looks attractive at the current market price to hold for the long term.

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