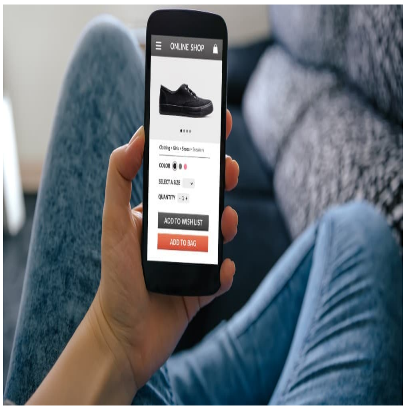

Why Shopify (TSX:SHOP) Stock Climbed 14% in October

Description

Shopify (TSX:SHOP)(NYSE:SHOP) had a crazy month in October. The **TSX** today was finally back on the rebound in September, and Motley Fool investors were searching every where for deals. Then, right before earnings season, shares started to plummet for a variety of reasons. And Shopify stock was caught in the crossfires.

But as earnings came in with stronger-than-expected results, Shopify stock remained lower — that is, until earnings that shockingly didn't meet analyst estimates. Let's try and put the pieces together.

What happened?

There are several reasons that Shopify stock went down this month, but it's really not the company's fault. As mentioned, the TSX was doing quite well. And Shopify stock was part of that growth. However, this also led some investors to think it was time to sell shares from the slowing e-commerce sector and diversify.

To add to that, there were oil and gas woes, inflation, and labour decreases that had many worried another market crash could be on the books. This led to more selling of Shopify stock. Be honest: if your shares were crazy high and you needed the money, you would most likely sell, too.

But then, earnings started to come in from a variety of sectors that proved stronger than expected. Yet here was Shopify stock, still down. That's because these industries were those aiming to do well post-pandemic. The e-commerce industry boomed during the pandemic, but Shopify stock started to show signs of slowing with fewer merchants needed to start up an online presence.

And that proved true. Shopify stock announced its earnings last week after shares fell lower and lower. The company missed market estimates on the TSX today. Analysts pegged the company as reporting earnings per share of $1.25. Instead, it reported far less at $0.81 per share.

So what?

True, it's not great to miss estimates. That's clear. However, what's at stake here is the slowing of some fantastic growth. There has not been *one* estimate Shopify stock has missed in over *five years*. Yet it finally happened.

Was growth terrible then? No. Shopify stock still reported a 46% year-over-year increase in total revenue to $1.12 billion. Further, its gross merchandise volume (GMV) reached $41.8 billion — a 35% year-over-year increase. Profit grew by 50%, with net income reaching $1.45 billion.

So, it was still a strong quarter, if just slower than what Motley Fool investors and others are used to. But I'd argue this makes the stock a touch more stable. Investors knew this day would come, and now that it's here, the company has survived. And it's still creating more investments to look forward to.

Now what?

And that's where Motley Fool investors should look next on the TSX today: where Shopify stock is investing to continue growth. Perhaps it won't be triple-digit growth, but growth nonetheless. For this company, there were several announcements made during the third-quarter report to watch.

Shopify stock launched Shopify Markets to allow entrepreneurs to easily enter markets around the world. It launched Shopify Balance in the United States to help entrepreneurs manage their funds and access them faster. It even partnered with TikTok to enable merchants to sell using the platform.

And the best part is that Shopify stock makes its own investments. While it partners with and acquires businesses, it does not depend on outside companies to keep its business running. Its Shopify Fulfillment Centres continue to expand, without much dependence on outside companies to send customers their orders.

Foolish takeaway

Shares of Shopify stock are up 22% year to date. In the last three years, Motley Fool investors have enjoyed 815% in returns! And yes, today the company is expensive. There's no doubt. But with shares rebounding and now stabilizing, the company could be an excellent long-term hold for investors.

There are no red flags for Shopify stock at this point. The only problem would be a market crash, and that's something all companies would have to face. With analysts believing it could reach $2,000 per share in the next, that's a potential upside of 8% as of writing.

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Date
2025/08/15
Date Created
2021/11/01
Author
alegatewolfe