



Why Shopify Stock Fell 7% Last Week

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) saw shares drop 7% near the end of last week, after climbing a touch by 5% by mid-week. The share drop comes ahead of Shopify stock announcing earnings results on Feb. 16.

What happened?

Of course, along with the [announcement](#) of earnings comes a slew of analyst predictions and estimates ahead of time. Last week, analysts fed the fire when it comes to Shopify stock and its earnings. And the predictions haven't stopped this week either.

By the end of last week, at least one analyst predicted “choppiness” ahead of earnings for Shopify stock. The issue, according to analysts, is that supply-chain demands, fulfillment issues and e-commerce problems all weigh on companies like Shopify stock. This could result in weaker quarter-over-quarter growth — especially in terms of merchant additions.

So what?

While other e-commerce companies may have grown at a reasonable pace, Motley Fool investors have still seen these companies come nowhere near Shopify stock's growth, both in terms of earnings and share price. Even after the massive crash in share price, Shopify remains an expensive addition to any portfolio.

It's not Shopify stock's fault. After all, spending habits have changed thanks to inflation. The Omicron variant also put a fly in the ointment, with labour shortages and in-store sales, among other problems. Add to this the drama surrounding developers against new algorithm changes and the ending of fulfillment contracts. What you get is a drop that won't quickly be resolved.

Now what?

So, what *can* Motley Fool investors expect on Feb. 16 for Shopify stock? Analysts believe merchant additions will certainly continue to be above 2019 levels. Some analysts also dropped their financial estimate predictions to around US\$6 per share for 2021 and 2022 full-year earnings, and around US\$7 per share for 2023.

As of writing, the consensus estimates remain at about \$2,000 per share. Yet analysts continue to drop their targets for Shopify stock. Analysts estimate earnings of \$0.62 per share for the fourth quarter, which would be a 46% decline year over year from \$1.15. However, analysts also believe there will be revenue growth of 37% to \$1.34 billion.

What should Motley Fool investors do? If you're looking to get rich quick, Shopify stock isn't for you. It's gone through the windstorm that every [popular](#) stock inevitably must face. Now, there is likely to be some calm growth surrounding it — especially in the next several years.

Shopify stock continues to be far ahead of its peers to help its merchants sell on a global scale. Further, its Shopify Fulfillment Network will be a huge cost benefit for merchants, customers, and, of course, Shopify itself. Revenue should rise sharply in the next few years, leading to sustained growth.

As for now, Shopify stock today is likely a bargain. Shares are down 40% in the last year and 20% in the last month. It now trades just above oversold, with a relative strength index (RSI) of 38.55. So, long term investors certainly should consider the stock.

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