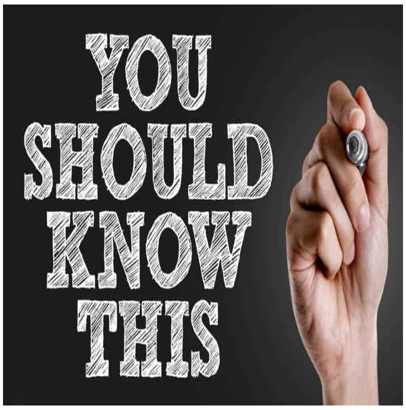

Warning: Shopify Stock Made a Huge Announcement in Q4 Earnings

Description

Investors in **Shopify** (TSX:SHOP)(NYSE:SHOP) have to be shocked by the e-commerce company's recent performance. I know I am. Shares have fallen about 40% year to date as of writing, hitting 52-week lows. And the company's fourth-quarter earnings report certainly didn't help matters for Shopify stock.

What happened?

Shopify stock announced revenue of US$1.38 billion for the fourth quarter, higher than the consensus estimate of US$1.33 billion by analysts. This represented a 41% increase year over year, but it's the growth investors seemed to care about compared to the last few years.

In 2019 and 2020, the company saw insane growth because of the rise in e-commerce due to the pandemic. That growth has since decelerated by 94% compared to revenue growth in 2019 and 2020. And according to Shopify stock management, that's only going to get worse.

So what?

Now, you might ask yourself whether this is such a bad thing. After all, the company surpassed a billion in revenue last year for a quarter and has since continued to beat those levels. The growth we saw the last few years was lower in terms of revenue, but higher in terms of growth. So, those levels certainly cannot be sustainable once Shopify stock surpassed a billion dollars in revenue.

But the problem is the combination of its outlook by management, and the drop in tech stocks in general. So, even though Shopify stock beat expectations, it's clear that even if the pandemic continues it won't see the strong growth it once enjoyed — not this year; perhaps not ever. After all, triple-digit growth isn't likely for a company as big as Shopify these days.

But that wasn't the only problem for Shopify stock. In fact, the biggest issue it seems investors may have had came down to recent investments made by the company. And that's where investors should see a big red flag.

Now what?

That red flag came in waving through the earnings report, represented by a net loss of US$509.7 million. That's half a billion in losses compared to a profit of US$123.9 million the year before. So, what happened?

Shopify stock blamed the losses on the value of its stakes in companies **Affirm Holdings** and **Global-E Online**. These stocks took a huge hit during the tech selloff. Both stocks have lost about half their value since the beginning of 2022.

So, now we have a tech selloff going on, lower growth during the next year, and investments doing poorly. There can't be anything else, right? Wrong.

There is also, of course, Shopify stock's fulfillment network. Management has been hush-hush about how big this will be, and, long term, it could be a great thing for investors. But in the short term, it looks like a costly headache. The goal is to consolidate the network and run it through Shopify. Meanwhile, it's going to have to make major investments (such as the US$450 million warehouse robotics company purchase) and likely have hiccoughs along the way.

So, should you invest in Shopify stock at these levels? Honestly, analysts don't believe things could get any worse. The company is certainly undervalued, and even near oversold territory at the time of writing. Long-term investors should see today as an opportunity. But short term, things are bound to start slowing down. And that certainly means share price growth as well.

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Date
2025/07/07
Date Created
2022/02/16
Author
alegatewolfe