



Why Shopify Stock Plunged Despite Q4 2021 Earnings Beat

Description

Shopify's ([TSX:SHOP](#))([NYSE:SHOP](#)) stock price fell by 4% in the NYSE pre-market trading session on Wednesday after the company [announced](#) its Q4 2021 financial results before the market opening bell. At the time of writing, the U.S. market-listed SHOP stock was trading at around \$853 per share. The Canadian e-commerce company's TSX-listed stock settled at \$1,132.62 per share yesterday.

Shopify stock tanks, despite Q4 2021 earnings beat

While [Shopify's stock price](#) dived in early morning trading in the U.S. market, the company's quarterly earnings managed to beat Street analysts' estimates. Here are some key highlights of its latest results:

- In Q4 2021, Shopify's total revenue rose by 41.1% YoY (year over year) to US\$1.38 billion — slightly higher than analysts' estimates of US\$1.33 billion.
- The company's adjusted earnings for the quarter fell by nearly 14% from a year ago to US\$1.36 per share.
- Nonetheless, Shopify's latest earnings figures were nearly 10% better compared to Street's expectations of US\$1.24 per share.
- Shopify posted an adjusted net profit margin of around 12.5% — higher than 9.2% in the previous quarter but lower than 20.3% a year ago.

Key factors from Shopify's Q4 2021 earnings results

In its latest earnings report, Shopify highlighted that “an incredible holiday selling season” for its merchants helped it post strong fourth-quarter performance.

In the December quarter, its subscription solutions revenue rose by 26% YoY to US\$351 million. The company's merchant solutions revenue growth was even stronger at 47% YoY. To add optimism, its monthly recurring revenue as of December 31, 2021, crossed US\$100 million level for the first time, as it stood strong at US\$102 million, showcasing a 23% YoY increase. Lastly, Shopify's gross merchandise volume (GMV) for the quarter rose by 31% YoY to \$54.1 billion.

These factors boosted Shopify's total revenue in the last quarter, helping it post stronger-than-expected Q4 financial results.

What Shopify's management said about its Q4 results

While commenting on Shopify's fourth-quarter results, its president Harley Finkelstein called the last couple of years "extraordinary." During these years, the company has "tripled revenue, more than doubled GMV and the Shopify team," he added.

Shopify's CFO Amy Shapero talked about the near-term outlook: "In 2022, we remain steadfast on making commerce easier for entrepreneurs by continuing to build high-performing infrastructure and innovative features."

What's next for Shopify in 2022?

In 2022, Shopify plans to continue investing in building better infrastructure to make it easier for its merchants to sell anywhere and scale their business. On the financial outlook front, the e-commerce company highlighted that it expects "the COVID-triggered acceleration of e-commerce" (which helped it significantly boost its financial growth in the last couple of years) to be absent this year. As a result, Shopify expects its 2022 revenue to grow at a slower pace than 2021.

Its weaker 2022 revenue growth outlook seemingly didn't impress investors and drove Shopify stock lower today. Nonetheless, a drop in its stock could be an opportunity to buy this high-growth stock cheap.

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