



What Should Investors Do With Shopify Stock After Earnings?

Description

During its [latest earnings call](#), **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) reported that it had beat expectations with respect to revenue and earnings per share. The company recorded US\$1.38 billion in revenue in Q4 2021 and a non-GAAP EPS of US\$1.37. These numbers would suggest that Shopify stock should continue to grow strongly in the coming months. However, that's not what happened. Since reporting earnings last week, Shopify stock has fallen 26%. Why did this happen, and what should investors do?

Why did Shopify stock fall?

During Shopify's earnings call, the company stated that it expects growth to decelerate in 2022. This is largely due to the fact that Shopify expects consumers to shift towards in-person retail more heavily, as businesses continue to open up. While that statement is certainly troubling, it's important to keep in mind what Shopify's growth had been like through the pandemic.

In 2020, the company recorded year-over-year increases of 47%, 97%, 96%, and 94%, in each respective quarter. As a whole, that translated into an 86% year-over-year increase in revenue. In 2021, Shopify's quarterly revenue increased 110%, 57%, 46%, and 41% year over year, respectively. Even if the company's revenue normalizes around the 30-40% range, it would still be posting excellent growth rates for a company of its size.

Shopify is also experiencing the same headwinds as many other popular growth stocks. Interest rates are expected to rise several times this year. This means that it could be more difficult for growth stocks to raise capital, hindering growth. One bright side for Shopify stock is that the company has finally become profitable. Shopify has previously stated that it plans to heavily re-invest its earnings back into the company for the foreseeable future.

What's to come for Shopify?

There's no doubt that Shopify continues to grow. The company is now comfortably posting over US\$1

billion in quarterly revenue. With the continued expansion of its enterprise partnership network and the addition of new large cap companies to its large customer base, investors should remain confident in Shopify stock over the long term.

Shopify aims to continue improving its merchant support services in the short term. The company has listed Shopify Payments, Shipping, and Capital as immediate areas of focus. One area that I would personally like to see Shopify address is its Shop app. At a time when online retail has become as widespread as it is today, Shopify's Shop app allows consumers to easily keep on top of their purchases. However, it's unclear what role the app will play for the company in the grand scheme of things.

Should investors invest in Shopify stock today?

If you're familiar with my writing, you'll know that my answer is yes. I stand by my choice to make Shopify my [top growth stock](#) in 2022. However, investors need to be aware that the next few weeks could be very rocky for Shopify stock. Analysts and institutional investors hate hearing a company say that its growth could decelerate, even if it'll only decelerate to more sustainable levels. If you're in it for the long term, this is a great opportunity to pick up Shopify shares for cheap.

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