



## Shopify Stock Is Down 60% in 3 Months: Time to Buy?

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has been one of the worst-affected companies amid the ongoing tech sector selloff. SHOP stock has dived by slightly more than 60% in the last three months against about a 3% drop in the **TSX Composite Index**. Meanwhile, other tech stocks, like **Lightspeed Commerce** and **Nuvei**, have also seen 57% and 46% value erosion, respectively, during the same period. Let's find out whether we could see a big reversal in SHOP stock in the near term.

### Shopify's latest financials

Last week, Shopify [announced](#) its much-awaited Q4 2021 results. During the quarter, the company's total revenue rose by 41.1% from a year ago to US\$1.38 billion. Its merchant solutions revenue rose by 47% YoY (year over year) in Q4 to cross the US\$1 billion mark for the first time ever. Similarly, its monthly recurring revenue crossed the US\$100 million level for the first time as it stood at US\$102 million as of December 31. With this, Shopify's adjusted net earnings for Q4 stood at US\$1.36 per share, exceeding analysts' consensus estimate of US\$1.24 per share.

Its solid Q4 results marked another remarkable year of financial progress for Shopify. Its total revenue rose by 57.4% YoY in 2021 as its adjusted earnings for the year jumped by 61%.

### But Shopify stock fell

Despite its strong financial results, [Shopify stock tumbled](#) by 17% on the day of its latest earnings release. The selloff continued in its stock the next day as well as it dived by another 11% on February 17.

Despite its better-than-expected Q4 results, several Street analysts reduced their target price on SHOP stock, citing the company's expectation of weaker revenue growth in 2022. While it's true that Shopify expects its 2022 revenue-growth rate to be lower than 2021, it didn't come as a big surprise to me, at least. I was already expecting the company's sales growth rate to moderate in 2022 as some COVID-related, favourable factors gradually subside this year. But, as usually happens after Street analysts'

downgrades, Shopify stock plunged sharply.

## These factors could help it recover

In my opinion, you shouldn't worry much about Shopify's lower revenue-growth-rate outlook in 2022. In fact, it would be no less than an achievement for the company to keep growing its revenue positively on a YoY basis in 2022 after witnessing a massive sales jump in the last couple of years. That's why you may not want to sell SHOP stock just because some Street analysts were seemingly expecting the pandemic to continue benefitting the company forever.

The recent pandemic has taught businesses many lessons. In 2022, most companies are willing to spend more and more on building and maintaining their secure online presence. If this trend continues, it could still help Shopify exceed its own revenue growth expectations in 2022 and drive a massive recovery in its stock. Overall, its solid recent financial growth trends, solid long-term growth outlook, and its recent massive stock losses make SHOP stock worth considering for the long-term right now.

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