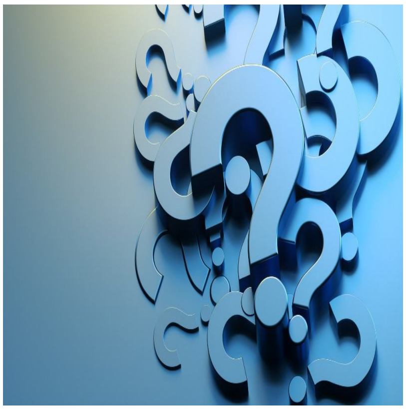

The Shopify (TSX:SHOP) Ship Is Sinking: What Happened?

Description

Shopify (TSX:SHOP)(NYSE:SHOP) has been declining this year, continuing the trend from last year. The company released its fourth-quarter earnings report for fiscal 2021 on February 16, and the quarterly report has only made matters worse. At writing, this high-growth stock trades for $837.09 per share, translating to over 46% in year-to-date losses.

The quarterly results for Shopify stock were better than the expectations many analysts had. However, the release saw a whopping 17% downturn in its valuation on the stock market, marking its biggest single-day decline yet.

Today, I will take a closer look at its quarterly result to help you determine why it might be worth investing in its shares at these levels. But first, let's see how Shopify stock has changed its trajectory from being the top performer on the TSX to becoming one of the worst.

A terrific start and boost during the pandemic

Shopify stock is still one of the most impressive stocks on the **TSX**. The stock impressed investors and perplexed analysts through its unimaginable positive returns year after year since its inception on the stock market.

Shopify stock began trading on the stock market at $34.94 per share on May 22, 2015. Its valuation soared to $1,568.19 per share by December 24, 2020, representing a 4,388% increase. The pandemic came along to disrupt global markets. COVID-19-related restrictions forced most physical stores to shut down temporarily. The development boosted demand in the e-commerce industry.

Shopify stock exploded amid the surging demand, making its past gains seem like a joke. To give you a better perspective, Shopify stock gained 193% between December 27, 2019, and December 24, 2020. In contrast, its gains between December 29, 2017, and December 28, 2018, were just 43.20%.

The massive growth in its share prices was driven by positive investor sentiment caused by its total revenue growth rate jumping from 47% to 86% year over year. 2021 was the slowest year for Shopify stock, posting around 21% in yearly gains after a tech selloff battered the high-growth stock.

The drastic fall

Shopify released its fourth-quarter and full-year results on February 16, 2022. Its adjusted earnings for fiscal 2021 were 61% higher than the previous year, exceeding analyst expectations.

The company also stated in its Q4 report that it expects its growth rate for fiscal 2022 to be slower than last year. The outlook reported by the company could be attributed as the most significant reason behind such a massive selloff.

Foolish takeaway

Market analysts cut their target prices for Shopify stock due to worries about its slowing growth. However, the slowdown only makes sense. The onset of COVID-19 and ensuing restrictions led to a boost in e-commerce demand, accelerating Shopify's growth between 2020 and 2021.

Expecting the growth rate to go higher as the pandemic subsides and we move into a post-pandemic era does not make sense. The company's growth rate might take a hit, but its long-term outlook remains solid, as it plans to expand its presence in international markets further.

It remains to be seen how long the selloff might continue, but the ship might be far from being considered a sinking one. Recovery could be in the cards after the panic wears off, and it might be the right time to invest in Shopify stock at its current levels.

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