



Why Shopify Stock Plunged 52% in Q1 2022

Description

What happened?

The shares of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) tanked by nearly 52% in the first quarter of 2022 to around \$845.47 per share, starting the year on a strong bearish note. With this, [SHOP stock](#) has consistently been falling for the last four months in a row, as Q1 turned out to be its worst quarter since its listing on the exchange in 2015. During the last three months, Shopify stock's market cap has fallen from close to \$220 billion to just \$106.4 billion.

So what?

Looking at SHOP stock's massive losses in Q1, it's obvious for anyone to assume that something might have terribly gone wrong with the company's fundamentals lately. However, this assumption might be far from reality, as its massive selloff in the last quarter was primarily driven by external factors.

Rising inflationary pressures and expectations about tightening monetary policy hurt tech investors' sentiments at the start of 2022, triggering a big tech sector-wide selloff. The recent tech meltdown has mainly hurt the shares of some high-flying growth companies the most, including Shopify. As a result, Shopify stock nosedived by nearly 30% in January and [extended its losses](#) by another 28.3% in February.

In the middle of the first quarter, the Canadian e-commerce giant released its fourth-quarter and full-year 2021 financial results. While its financial growth set new records in 2021, its expectations of a YoY (year-over-year) decline in its revenue-growth rate in 2022 prevented SHOP stock from recovering.

Now what?

After posting outstanding 174% gains in 2019, the rally in Shopify stock intensified further in 2020 as

COVID-19-related shutdowns and restrictions on physical stores accelerated the shift to digital commerce. This digital commerce trend helped Shopify post an outstanding 85.6% YoY jump in its total revenue in 2020, helping SHOP stock inch up by 178% during the year. However, this sudden and temporary spike in the company's sales growth eased a bit in 2021 as it [posted](#) a 57.4% YoY rise in its total revenue for the year.

Amid reopening economies, it's natural for Shopify's sales growth rate to decline further in 2022. And this is exactly what Shopify suggested in its latest earnings event in mid-February. That said, you could still expect the Ottawa-based company to post strong double-digit sales growth this year — much better than most of its peers — as the demand for its commerce services remains strong.

In addition, Shopify's increased focus on international market expansion could help it improve its long-term growth outlook. These positive factors could trigger a sharp [recovery in SHOP stock](#) in the near term, making it worth buying on the dip for the long term.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. jparashar
2. kduncombe

Category

1. Investing
2. Stocks for Beginners

Date

2025/07/30

Date Created

2022/04/01

Author
jparashar

default watermark

default watermark