Why Shopify Stock Plunged 9.4% Last Week

Description

Shopify (TSX:SHOP)(NYSE:SHOP) is an Ottawa-based company that provides a commerce platform and services in Canada and around the world. It has established itself as a top Canadian tech stock since making its debut on the TSX back in May 2015. Today, I want to discuss if Shopify is worth snatching up in the final weeks of April. Let's jump in.

How has Shopify performed so far in 2022?

Shares of Shopify have dropped 9.4% over the last week as of close on April 14. This tech stock has plummeted 52% so far in 2022. This has been the most brutal stretch for the top e-commerce stock since it was targeted by a major short attack in the spring of 2019. It reached its all-time high of $2,228.73/share in late November 2021. Shopify stock has since more than halved in value.

This top tech stock managed to grow into a certified blue-chip TSX stock over a short time. However, its meteoric rise also meant that it had more to prove. Its revenue and earnings growth have remained strong, but those rates have slowed in recent quarters. Meanwhile, it recently announced that it plans to pursue a 10:1 stock split that could go into effect in late June. That could deal further damage to this super tech stock in the near term.

Should investors be encouraged ahead of its next earnings release?

The company released its fourth-quarter and full-year 2021 results on February 16, 2022. In Q4 2021, Shopify delivered total revenue growth of 41% to $1.38 billion. Meanwhile, subscription solutions increased 26% from the prior year to $351 million. Its adjusted gross profit climbed 37% to $700 million. Overall, it was a strong finish to the year for the company and it posted promising growth for its new segment Shopify Capital.

For the full year, this company delivered revenue growth of 57% to $4.61 billion. Moreover, adjusted gross profit surged 60% to $2.50 billion. Shopify saw its adjusted net income nearly double to $814 million, or $6.41 per diluted share, compared to $491 million, or $3.98 per diluted share. The company made encouraging strides on the business front throughout the year. It continued its international push with the launch of its new integrated retail hardware with payments to retail merchants in the United Kingdom, Ireland, Australia, Germany, and other European nations. Moreover, it introduced Shopify Markets and rolled it out in January 2022. This allows its merchants to manage cross-border commerce through its platform.

Shopify: Is it a buy today?

Back in the summer of 2021, I'd discussed three predictions I had for Shopify over the next decade. At the time, I'd suggested that its international push was one of the top developments that investors should be excited about. That continues to be the case in the first half of 2022.

Investors should not be put off by this top tech stock after its rough start to the year. Indeed, this presents a great opportunity to snatch up this e-commerce giant on the dip. It last had an RSI of 38, putting it just outside of technically oversold territory. Shopify also possesses a very solid price-to-earnings ratio of 25.

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