



## Why Shopify Shares Fell Another 12% Last Week

### Description

### What happened?

The ongoing selloff in **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock doesn't seem to be ending soon. After ending April 2022 with massive 35% losses, SHOP stock extended the losses by another 12% last week, as its **TSX**-listed shares fell to as low as \$460 per share — its lowest price level since March 2020. As a result, Shopify's shares have now seen 72% value erosion so far in 2022 against a 2.8% drop in the TSX Composite Index.

### So what?

Shopify stock started last week's trading on a positive note, as it climbed by nearly 13% in the first three days of the week with the help of investors' high expectations from its quarterly earnings. However, it couldn't sustain these gains for long as it [crashed by 18%](#) in intraday trading on Wednesday after its first-quarter results were released.

During the March quarter, Shopify's revenue-growth rate [slowed](#) to around 22% YoY (year over year) from more than 41% in the previous quarter. Its Q1 revenue numbers of US\$1.2 billion missed Street analysts' expectations by a narrow margin with the slowing growth in its monthly recurring, subscription solutions, and merchant solutions revenues — disappointing investors.

Moreover, its adjusted earnings for the quarter tanked by 90% YoY to US\$0.20 per share, missing analysts' consensus estimate of US\$0.68 per share by a huge margin. Slowing financial growth and rising costs also took a big toll on Shopify's profitability last quarter. In Q1 2022, the Canadian e-commerce giant's adjusted net profit margin shrunk to just 2.1% from 12.5% in the previous quarter and 25.7% a year ago. These negative factors explain why SHOP stock fell by 12% last week.

### Now what?

It's important to note that in Q1 2021, Shopify's financial growth was temporarily boosted by stimulus and COVID-19 lockdowns. Given that, a slowdown in its YoY growth was expected. The recent drop in its profit margin was mainly due to rising expenses for its efforts to expand the business internationally.

While these efforts have hurt its financial growth in the last quarter, they could pay off well in the long term. That's why I still find Shopify stock attractive for long-term investors. However, investors with a low-risk appetite should avoid buying it right away, as the possibility of the ongoing broader market selloff and recession fears taking SHOP stock further down in the near term remains open.

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1. Investing
2. Tech Stocks

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