



Shopify (TSX:SHOP) Stock Has Been a Bloodbath

Description

Most market analysts forecasted that 2020 would be a banner year for Canada's primary stock exchange. However, the COVID-19 pandemic triggered a market selloff and shattered their crystal balls. Nonetheless, the TSX managed to eke out a 2.17% gain thanks to the [technology sector](#).

Tech constituents finished strong and collectively delivered an 80.3% total return for the year. **Shopify (TSX:SHOP)(NYSE:SHOP)** was the winning stock with +178% overall. The energy sector was the worst performer, losing by 30.3% overall.

But fast forward to Q1 2022 and we see the tech phenomenon soaking in a brutal bloodbath. At \$464.68 per share, the stock's performance is atrocious. Despite advancing 12.18% in the last five trading days, Shopify is down 73.31% year to date.

Free fall

Shopify rose to as high as \$2,139.82 on November 19, 2021, on account of two strong years (2020 and 2021). On February 16, 2022, management reported that total revenue in Q4 2021 rose over US\$1 billion for the first time. The US\$1.38 billion figure was 41% higher compared to Q4 2020.

Harley Finkelstein, Shopify's president, said, "The last two years have been extraordinary. We nearly tripled revenue, more than doubled GMV and the Shopify team, and the number of merchants using Shopify is nearly twice as big as 2019 levels."

The provider of essential internet infrastructure for commerce reported a net income of US\$2.91 billion for the year compared to US\$319.5 million in fiscal 2020. While management said that building world-class commerce infrastructure will continue, they anticipate revenue growth for this year to be lower than the 57% in 2021.

Unfortunately, investors were turned off by the financial outlook for fiscal 2022, despite management's assurance that it will still outpace the growth of e-commerce. The grim forecast was the start of the [free fall](#). Shopify's share price plunged 17% to \$938.91.

Role reversal

The TSX made an incredible from 2020 and delivered an annual return of 21.74% in 2021. However, it was the energy sector that led the comeback. As of May 18, 2022, technology is the worst-performing sector with its 36.99% year-to-date loss. Meanwhile, energy stocks lead the pack with +52.99% thus far in 2022.

It's a complete role reversal in 2022, as the majority of tech stocks, including the sector leader, continues to sink deeper. Shopify is one of four companies that made the TSX30 List in the last three years. The [growth stock](#) ranked first in 2020 and second in 2019 and 2021.

In 2020, Shopify even dethroned **Royal Bank of Canada** as the most valuable TSX company when its market cap soared to nearly \$180 billion. As of this writing, the market cap stands at \$58.64 billion compared to RBC's \$178.45 billion. In Q1 2022, revenue grew by only 22% versus Q1 2021. Moreover, Shopify incurred a net loss of US\$1.47 billion during the quarter.

Hazy future

Shopify trades at a deep discount, but it isn't as enticing like before since the future remains hazy. Still, some analysts recommend a buy rating and forecast a 254% upside in 12 months. Invest at your own risk because of the bloodbath today.

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