



## Why Shopify Stock Fell 73% Last Year

### Description

It's a new year, and 2023 provides hope for a year that will hopefully prove far less disastrous than the one before. At least in terms of the financial sector. Undoubtedly, among the worst trounced sectors was tech companies, with **Shopify** ([TSX:SHOP](#)) proving to be one of the worst performers.

Shares of Shopify stock dropped 73% in 2022. And really, there hasn't been much, if any, improvement coming into 2023. While some may have hoped for a Santa Claus Rally (myself included), it proved to never arrive. And thus, we're still stuck with a Shopify stock that remains down on its luck.

So what happened in 2022 to cause shares to drop so low? Let's take a look to see if it's because of the [tech sector](#) drop itself, or if Shopify stock has a chance of a quick recovery.

### The tech drop certainly was part of it

Shopify stock definitely started its drop as the rest of the tech sector crashed and burned. Shares plummeted between January and March with an impending bear market or even recession promised by economists. This led to the drop of the highest-growth stocks in the financial industry, which at that point were tech stocks.

Yet, among the tech stocks Shopify stock was the biggest performer. And yet, as shares started to drop, the company announced it had grown too fast, too soon. This led to layoffs that caused shares to drop even further.

Here's the thing, it's not like Shopify stock started performing badly. Many worried that the company would stop seeing so much growth, but that didn't happen. In fact, it managed to continue its growth through acquisitions, including Deliverr last year.

So what's been happening in terms of earnings in the last year, and should investors be worried?

## Looking at earnings

While one bad earnings report isn't really anything to fear, it's when there's a pattern that investors should get worried. In terms of Shopify stock, the company came below earnings estimates quarter after quarter. That is, until the most recent earnings report.

The third quarter for Shopify stock proved fruitful, with the company's gross [merchandise](#) volume climbing to its highest yet, increasing by 11%. Total revenue increased by 22% year over year, with adjusted gross profit up 11% as well. Now, of course, the company continued to trade at a loss, but does that mean there's no hope for the future?

Honestly, of course not. There's always hope but we've already seen some of that hope come to fruition even *after* the strong third quarter. This came from the company's incredible results during the Black Friday weekend, when results blasted 2021 levels out of the water. Sales reached US\$7.5 billion, up 19% year over year, and 21% on a constant currency basis. So we're definitely looking forward to fourth quarter results.

## What lies ahead

Shopify stock continues to come out with reasons for investors to become interested, yet investors remain wary. And rightly so. The company soared to incredible levels only to drop into oblivion, where it remains today. Now, fear keeps investors away from this once great growth stock.

Even still, if you're willing to invest long-term, Shopify stock could be an incredible buy today. Once interest rates, inflation, and the tech sector at large get back under control, Shopify stock could be one of the first to grow at a steady rate. This comes from bringing in solid, recurring revenue and seeing that recurring revenue grow at a steady rate.

So, with shares down 73% in the last year, and needing just 14.7% of equity to cover *all* its debts, Shopify stock looks like a solid buy today. By the end of 2023, you may see shares increase to consensus estimates, a potential upside of 76% as of writing.

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