Ecommerce slowdown weighs on Shopify shares

SHOTARO TANI

Shopify became the latest ecommerce company to suffer from the slowdown after the pandemic-fuelled boom yesterday when it reported first-quarter earnings below expectations and saw its shares drop by almost a fifth.

The Canadian company, whose software helps merchants and brands create an online storefront, yesterday reported sales for the three months to March up 22 per cent year on year to $1.2bn — its slowest growth rate yet.

The figures were marginally below consensus expectations of $1.25bn. The Ottawa-based company posted a net loss of $1.4bn, its second consecutive quarter in the red.

Shopify shares, which have lost more than 70 per cent of their value so far this year, dropped nearly 20 per cent in early trading yesterday, momentarily falling below $400 a share.

Shopify was one of the biggest winners from the pandemic as lockdowns pushed millions of small businesses to open online stores. However, the return of shoppers to bricks-and-mortar outlets has weighed on Shopify's outlook.

The group yesterday reiterated its confidence in the growth of ecommerce by agreeing to pay $2.1bn to acquire Deliverr, a San Francisco-based fulfilment start-up. The deal will be 80 per cent funded by cash, with the rest in Shopify shares. The acquisition is part of Shopify's effort to expand its logistics network in its battle against Amazon.

"I do not think people are moving away from online shopping," said Shopify president Harley Finkelstein. "Some of it was pulled forward over the past two years but online is still a very small percentage" of retail, he said.

For the first three months of 2022, Shopify reported gross merchandise volume — a measure of consumers' total spending through the group's network of stores — of $43.2bn, up 16 per cent year on year but about half the growth rate registered in the previous quarter.

The company said revenue growth this year would be "lower in the first half and highest in the fourth quarter".

Shopify in April proposed a 10-for-1 share split and put forward a plan to protect founder and chief executive Tobi Lütke's voting power.

The changes propose setting and preserving his voting power at 40 per cent of the total for the group's outstanding shares.