



Why Shopify Inc. Is Surging Higher Today

Description

Shopify Inc. ([TSX:SHOP](#))([NYSE:SHOP](#)), the leading cloud-based, multi-channel commerce platform for small- and medium-sized businesses, announced better-than-expected second-quarter earnings results this morning, and its stock has responded by rising over 8% in early trading. Let's take a closer look at the quarterly results and its outlook going forward to determine if we should consider buying into this rally or wait for it to subside.

The blowout results

Here's a quick breakdown of 10 of the most notable statistics from Shopify's three-month period ended on June 30, 2017, compared with the same period in 2016:

Metric	Q2 2017	Q2 2016	Change
Subscription solutions revenues	US\$71.6 million	US\$43.67 million	63.9%
Merchant solutions revenues	US\$80.06 million	US\$42.97 million	86.3%
Total revenues	US\$151.66 million	US\$86.65 million	75%
Gross profit	US\$86.84 million	US\$47.52 million	82.7%
Gross margin	57.3%	54.8%	250 basis points
Adjusted operating income (loss)	(US\$2.94 million)	(US\$3.21 million)	8.5%

Adjusted net income (loss)	(US\$1.06 million)	(US\$2.99 million)	64.5%
Monthly recurring revenue (MRR)	US\$23.7 million	US\$14.4 million	64.6%
Gross merchandise volume	US\$5.8 billion	US\$3.3 billion	75.8%
Gross payments volume (GPV)	US\$2.2 billion	US\$1.3 billion	69.2%

Announcements on its outlook

In the press release, Shopify made two important announcements regarding its outlook on the full year and third quarter of 2017.

First, it raised its full-year outlook. Here's its new outlook compared with its previous outlook:

Metric	New Outlook	Previous Outlook
Total revenues	US\$642 million-US\$648 million	US\$615 million-US\$630 million
Adjusted operating loss	US\$7 million-US\$11 million	US\$14 million-US\$38 million

Second, the company provided its outlook on the third quarter, calling for total revenues in the range of US\$164-166 million, which came in above the consensus analyst estimate of US\$156.55 million, as well as an adjusted operating loss of US\$2-4 million.

What should you do with Shopify now?

I think it was an outstanding quarter in every way for Shopify, because it continued to grow at an incredible rate while keeping its costs under control. The results also surpassed its outlook on the quarter, which called for revenues in the range of US\$142-144 million and an adjusted operating loss in the range of US\$6-8 million as well as the consensus estimates of analysts polled by **Thomson Reuters**, which called for total revenues of US\$143.64 million and an adjusted net loss of \$0.07 per share.

On top of all this, the company raised its outlook on fiscal 2017 and provided better-than-expected guidance for the third quarter, so I think the market has responded correctly by sending its shares higher in early trading.

With all of this being said, I think the stock will continue higher from here, because investors will continue to pay up for its incredible growth rate, so I will continue to hold my shares and urge all Foolish investors to strongly consider initiating a position in it in the very near future.

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