



Shopify Inc. and Air Canada Post Strong Results: Should You Buy?

Description

Two rock solid second quarter earnings reports have given a spark to the share price of **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Air Canada** ([TSX:AC](#)). As a result, both companies were stars on the S&P/TSX on last week.

So, should investors be adding both of these stocks to their portfolios as we head into the final third of 2017?

Shopify Inc. destroyed forecasts

Shopify Inc. is a Canadian e-commerce company based in Ottawa, Ontario. Its software is used by merchants to set up and manage stores across a broad range of sales channels including mobile devices, web, social media, and brick-and-mortar outlets. The company earns revenue from customer use of applications and from subscription fees generated by the use of the platform.

The company posted second quarter revenues of \$151.7 million – an increase of 75% since Q2 2016. It reported a \$15.9 million dollar operating loss that beat projections ranging between \$18-20 million. The share price spiked 13.7% and closed \$130.61. On Wednesday the stock closed at \$123.71 – down 5.28%.

Chief Financial Officer Russ Jones believes that the company will break even by the fourth quarter of 2017. He pointed to the “fundamental shift in retail toward multi-channel and mobile” and “the ongoing adoption of Shopify by larger brands” as key contributors to strength in this quarter.

Air Canada posts phenomenal earnings boosted by increase in air travel

Air Canada posted earnings on Tuesday, August 1 which revealed adjusted net income of \$215 million or \$0.78 per diluted share in the second quarter. Net income was reported at \$300 million or \$1.08 per diluted share compared to \$186 million or \$0.66 per diluted share in Q2 2016.

A surge in air travel powered the results and the share price rose 9.6% to \$21.74 on Tuesday.

The company announced the launch of 16 international and U.S. transborder routes in the quarter, allowing for growth in international-to-international connections via Canada.

In an article in July on Air Canada and **WestJet Airlines Ltd.**, I discussed the growing demand for airline pilots and the subsequent expectation of increased passenger traffic. For this reason, I endorsed both as a long term play for investors. Analysts have responded to these earnings and boosted the price target for Air Canada even after the price ballooned following the report.

What looks better in your portfolio right now?

Shopify has been able to consistently beat expectations and has added sales channels such as BuzzFeed and **eBay Inc.** The company is on track to become profitable by 2018. Air Canada stands to benefit from surging passenger traffic in the future, and though the stock is trading at all-time highs in the midst of uncertainty in the market it is still a desirable buy for the long term.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:AC (Air Canada)
3. TSX:SHOP (Shopify Inc.)

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Date

2025/09/17

Date Created

2017/08/07

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