



## A Sensational Week Ahead for Shopify Inc.: Earnings, Citron, and More

### Description

After a tumultuous month that saw **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) shares tumble thanks to a [scathing negative report](#) from short seller Citron Research, investors in the e-commerce platform may get some respite this week when the company releases its third-quarter numbers on Oct. 31, before markets open.

After its recent drop, any positive news could act as a big trigger for Shopify stock, which was otherwise growing rapidly before Citron cut short its rally. Chances are, the company could give investors more triggers than one this week.

### High double-digit growth in revenue

Shopify has [consistently reported strong growth](#) in revenue in recent quarters. For the six months ended June 30, its top line surged 75% year over year, as revenues from both its subscription solutions and merchant solutions soared.

The company's projections for the third quarter are equally encouraging. Shopify expects to report roughly 66% jump in revenue, which, if delivered, could send the stock higher.

Even better, Shopify upgraded its full-year revenue outlook in each of the past two quarters. So in Q2, the company pegged its FY 2017 revenue to range between US\$642 million and US\$648 million, representing 60% growth at the midpoint from 2016 level.

Double-digit growth in revenue should be another booster for Shopify shares this week.

### Growth in merchant base

Shopify's growth depends entirely on the number of merchants signing up on its e-commerce platform and sticking to it.

Shopify's merchant base has been hitting record highs quarter after quarter, and I don't expect the third quarter to be any different. In August, Shopify announced its merchant base had crossed the

500,000 mark. As of the end of 2016, the number stood at 375,000.

One number to watch in Shopify's earnings report this week is its revenue from subscription solutions, which is simply the monthly fee that merchants pay to use Shopify's platform. Its subscription solution revenue grew 64% in Q2.

Also, as of June 30, Shopify's monthly recurring revenue was up 64% year over year, indicating that merchants are renewing their subscriptions. A similar growth trend should make the market optimistic about Shopify's prospects.

### **Addressing Citron Research's allegations**

Citron refuted several claims made by Shopify earlier this month, even calling the company a "get-rich-quick" scheme that's flouting Federal Trade Commission regulations. The stock tanked double digits.

If you've been looking for answers from Shopify against Citron's allegations, this is the week you've been waiting for. For, Shopify's CEO, Tobi Lutke took to **Twitter** soon after Citron's report to announce that he will "address the short-selling troll" during the company's next earnings call.

Needless to say, Lutke's answer to Citron's report this week should have a strong bearing on the stock price, and it'll likely be in a direction favourable to investors.

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