



Why Shopify Inc. Is Down Over 8%

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 third-quarter earnings results, raised its full-year outlook, and provided better-than-expected guidance for the fourth quarter this morning, but its stock has responded by falling over 8% as of 10:30 A.M. EST. Let's break down all of this information to determine if we should consider initiating long-term positions today or wait for an even better entry point in the trading sessions ahead.

The blowout results

Here's a quick breakdown of 12 of the most notable statistics from Shopify's three-month period ended September 30, 2017, compared with the same period in 2016:

Metric	Q3 2017	Q3 2016	Change
Subscription solutions revenues	US\$82.44 million	US\$49.84 million	65.4%
Merchant solutions revenues	US\$89.02 million	US\$49.74 million	79.0%
Total revenues	US\$171.46 million	US\$99.58 million	72.2%
Gross profit	US\$100.03 million	US\$53.75 million	86.1%
Gross margin	58.3%	54.0%	430 basis points
Adjusted operating income (loss)	US\$1.71 million	(US\$2.21 million)	>100%
Adjusted net income (loss)	US\$5.01 million	(US\$1.84 million)	>100%
Adjusted net income (loss) per share attributable to shareholders	US\$0.05	(US\$0.02)	>100%

Monthly recurring revenue (MRR)	US\$26.84 million	US\$16.28 million	64.9%
Gross merchandise volume	US\$6.43 billion	US\$3.81 billion	68.8%
Gross payments volume (GPV)	US\$2.4 billion	US\$1.5 billion	60.0%
Cash, cash equivalents, and marketable securities at end of period	US\$926.56 million	US\$400.29 million	131.5%

Outlook revisions and announcements

In the press release, Shopify also made two announcements regarding its outlook.

First, it raised its full-year outlook. Here's a breakdown of its updated outlook compared with its previous outlook:

Metric	Updated Outlook	Previous Outlook
Total revenues	US\$656 million-US\$658 million	US\$642 million-US\$648 million
GAAP operating loss	US\$55.5 million-US\$57.5 million	US\$62 million-US\$66 million
Adjusted operating loss	US\$1.5 million-US\$3.5 million	US\$7 million-US\$11 million

Second, the company provided its outlook on the fourth quarter, calling for total revenues in the range of US\$206-208 million, which came in above the consensus analyst estimate of about US\$204 million, as well as an operating loss in the range of US\$12.5-14.5 million and adjusted operating income of US\$2-4 million.

What should you do with Shopify now?

It was another blowout quarter for Shopify, and the results beat the consensus estimates of analysts, which called for an adjusted net loss of US\$0.02 per share on revenue of US\$166 million. The company has been on a tear so far in 2017, with its revenues up 74% year over year to US\$450.49 million and its adjusted net income coming in at \$497,000 compared with an adjusted net loss of \$9.97 million in the first nine months of 2016.

On top of the very strong earnings results, Shopify raised its outlook on fiscal 2017 and provided better-than-expected guidance for the fourth quarter, so I do not think the sell-off in its stock is warranted.

With all of the information provided above in mind, I think all Foolish investors should strongly consider initiating positions in Shopify today with the intention of adding to those positions on any further weakness in the trading sessions ahead.

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