



Why Shopify Inc. Is Down Over 2%

Description

Shopify Inc. ([TSX:SHOP](#))([NYSE:SHOP](#)), the leading cloud-based, multi-channel commerce platform for small- and medium-sized businesses, released its fiscal 2017 fourth-quarter and full-year earnings results this morning, and its NYSE-listed shares have responded by falling over 2% in pre-market trading. Let's break down the results to determine if we should consider using this weakness as a long-term buying opportunity.

A phenomenal financial performance

Here's a quick breakdown of 10 of the most notable statistics from Shopify's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Subscription solutions revenues	US\$93.92 million	US\$56.39 million	66.6%
Merchant solutions revenues	US\$128.90 million	US\$74.00 million	74.2%
Total revenues	US\$222.81 million	US\$130.38 million	70.9%
Gross profit	US\$121.52 million	US\$68.35 million	77.8%
Adjusted operating income (loss)	US\$11.58 million	(US\$807,000)	>100%
Adjusted net income (loss)	US\$14.71 million	(US\$369,000)	>100%
Adjusted net income (loss) per share attributable to shareholders	US\$0.15	US\$0.00	>100%
Monthly recurring revenue (MRR)	US\$29.9 million	US\$18.5 million	61.6%

Gross merchandise volume (GMV)	US\$9.1 billion	US\$5.5 billion	65.5%
Shopify Capital cash advances	US\$39.7 million	US\$14.7 million	170.0%

And here's a quick breakdown of eight notable statistics from Shopify's 12-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Fiscal 2017	Fiscal 2016	Change
Subscription solutions revenues	US\$310.03 million	US\$188.61 million	64.4%
Merchant solutions revenues	US\$363.27 million	US\$200.72 million	81.0%
Total revenues	US\$673.30 million	US\$389.33 million	72.9%
Non-GAAP gross profit	US\$381.53 million	US\$210.21 million	81.5%
Adjusted operating income (loss)	US\$6.05 million	(US\$12.14 million)	>100%
Adjusted net income (loss)	US\$15.21 million	(US\$10.33 million)	>100%
Adjusted net income (loss) per share attributable to shareholders	US\$0.16	(US\$0.12)	>100%
GMV	US\$26.3 billion	US\$15.4 billion	70.8%

Outlook on 2018

In the press release, Shopify also provided its outlook on the first quarter and full year of fiscal 2018; here's a breakdown of what the company expects to accomplish:

Metric	Q1 2018 Outlook	Fiscal 2018
Total revenues	US\$198 million to US\$202 million	US\$970 million to US\$990 million
GAAP operating loss	US\$25 million to US\$27 million	US\$95 million to US\$105 million
Adjusted operating income (loss)	(US\$6 million to US\$8 million)	(US\$5 million) to US\$5 million

What should you do with Shopify now?

The fourth quarter was outstanding in every way for Shopify, and the results surpassed analysts' expectations, which called for adjusted EPS of US\$0.05 on revenue of US\$209.7 billion.

The fourth quarter also capped off a phenomenal year for the company, in which it grew its revenue by over 70% and it swung to a solid adjusted profit, and its outlook calls for very strong growth going forward, so I think the market should have responded by sending its stock significantly higher; that being said, I think any weakness in today's trading session represents an [attractive entry point](#) for long-term investors, because Shopify is one of the best growth stocks in the market today, and because I think its growth will accelerate when recreational [cannabis is legalized](#) later this year.

With all of the information provided above in mind, I think all Foolish investors should strongly consider using the post-earnings weakness in Shopify to initiate long-term positions with the intention of adding to those positions on any further weakness in the trading sessions ahead.

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