



Is Shopify Inc. Stock a Buy After its 4th-Quarter Earnings?

Description

Investors don't seem to be excited after seeing another blow-out quarter from [Shopify Inc.](#) ([TSX:SHOP](#))([NYSE:SHOP](#)). Its stock has shed some gains during the past two trading sessions, underperforming the broader market, which is on the recovery path after the recent volatility.

So, what's in the fourth-quarter earnings that's making investors nervous about this company, which provides e-commerce platforms to businesses globally?

Let's have a look at the latest numbers.

Shopify's overall revenue in the fourth quarter surged 71% to US\$222.8 million, beating the Wall Street consensus of US\$209.48 million.

Shopify Plus, which counts sales from Shopify's largest customers, contributed 21% of monthly recurring revenue compared with 17% a year ago. Shopify expects full-year revenue of as much as US\$990 million. That forecast also beats the US\$957.1 million estimate by analysts.

On the back of these strong sales, Shopify reported a profit, excluding some costs, of \$0.15 a share — higher than the \$0.05 analysts had predicted.

What's worrying investors?

Despite these impressive sales numbers, some investors are focusing on the gross merchant volume: the amount of money generated by the Shopify's customers. That number has shown some weakness, suggesting that a fewer customers are using Shopify's platform.

The company reported the gross merchant sales slowed to US\$9.1 billion in the fourth quarter, a 65% jump from a year earlier, but a slower pace than the 69% increase in the third quarter.

There is no doubt that this weakness in revenue generated by merchants is a matter of concern. But in the bigger picture, there is nothing that shows the growth in online shopping reversing. E-commerce continues to be the key growth driver for businesses in both developed and emerging economies.

And [Shopify](#) is well positioned to tap this massive opportunity. In a matter of few years, Shopify has achieved the reliability and scale that many top technology companies envy. Shopify currently powers more than 500,000 businesses in 175 countries with some top global brands using its platform.

For the future growth, Shopify plans to expand into new non-English-speaking markets, targeting some of the world's largest economies, such as Japan, Singapore, France, and Germany.

Is Shopify stock a buy?

Trading at \$170 a share, Shopify stock is up 34% so far in 2018, defying the sale calls by famous short seller, Andrew Left of Citron Research, who last year severely criticized the company's growth model and raised doubts about the sustainability of many of its small-business users.

I don't see any major setback for Shopify in the Q4 numbers, and I expect the company's explosive growth will continue for many years to come. The stock is still a strong buy.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date

2025/07/05

Date Created

2018/02/19

Author

hanwar

default watermark