



Shopify Inc. Is Targeting Market Share Before Profit

Description

Shopify Inc. ([TSX:SHOP](#))([NYSE:SHOP](#)) topped expectations in the fourth quarter, during which revenue jumped 71%. The Ottawa-based company's revenue grew from US\$130.4 million a year ago to US\$222.8 million this year, ahead of consensus predictions of US\$209.3 million. However, this is the slowest revenue growth since Shopify's IPO in 2015.

Gross merchandise volume, the amount of money generated by Shopify's users, jumped by 65% to US\$9.1 billion in the fourth quarter.

The e-commerce giant posted a loss of US\$3 million, or US\$3 per share, compared to a loss of US\$8.9 million, or US\$10 per share, last year.

Shopify's adjusted earnings were US\$14.7 million, or US\$0.15 per share, compared to a loss of US\$400,000 last year. Analysts on average had expected an adjusted profit of US\$0.05 per share.

Focus is on gaining market share

The company is focused on increasing market share by spending heavily before making profit. While revenue in 2017 surged 72.9% to US\$673.3 million, spending on sales, marketing, and R&D increased even faster.

"We are building for the Shopify of five years from now," said the company's CFO Russ Jones.

Shopify Plus, which counts sales from Shopify's largest customers, contributed 21% of monthly recurring revenue in 2017, compared with 17% at the end of 2016. The company finished the year with a healthy balance sheet, with a total of US\$938 million in cash.

The company is forecasting 2018 full-year revenue of as much as US\$990 million, well ahead of the US\$957.1 million analysts had projected. However, the company expects to incur operating losses representing about 10% of revenue this year.

The company is also planning to enter new non-English-speaking markets in 2018, starting with Japan,

Singapore, France, and Germany.

Shopify is using cutting-edge technology

Shopify's technology helps online merchants to set up and operate websites. **Amazon**, **eBay**, **Facebook**, and Pinterest are among its customers.

Shopify is well positioned to help merchants meet changing consumer shopping habits; consumers are placing more transactions via mobile devices, which accounted for 61% of fourth-quarter transactions.

Shopify is innovative and using [cutting-edge technology](#). The company developed an in-app augmented reality feature, which it built using the **Apple Inc.** ARKit for Magnolia Market, a home and lifestyle brand. This app allows customers to see on their iPhones how items will look on display in their homes.

Shopify is considering voice-enabled artificial intelligence, which allows shoppers to make a purchase by talking to an internet-connected home device. The company will likely join in on the trend if voice-activated devices continue to rapidly pick up users.

Ontario will use Shopify for its cannabis sales

Earlier this month, the province of [Ontario chose Shopify](#) to run its online sales of recreational marijuana when it becomes legal in partnership with the Ontario Cannabis Retail Corporation (OCRC), a subsidiary of the Liquor Control Board of Ontario (LCBO). Shopify's e-commerce platform will also be used inside OCRC stores, where customers will be able to make their purchases using tablets.

In Ontario, cannabis will be sold exclusively through provincially run OCRC stores, rather than through privately owned stores. This province represents a huge market with 13.6 million people, more than one-third of Canada's total population.

Is Shopify still a buy?

I think Shopify is still a buy despite its high valuation. Its high expected future growth justifies a high valuation and should propel the stock higher. Shopify is a great growth stock to hold for the long term.

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