



3 Takeaways From Shopify Inc's (TSX:SHOP) Q3 Results

Description

Shopify Inc ([TSX:SHOP](#))([NYSE:SHOP](#)) released its third-quarter results on Thursday, which continued to show excellent sales growth as the company's top line was up 58% from last year. While the growth rate might not be as high as it was in year's past, it's still a very strong rate overall, and continually increasing at over 50% every quarter is still a remarkable feat.

In addition to strong sales growth, below are three positive takeaways for investors from Thursday's results.

Cash flow shows big improvement

One area that should have investors excited is the company's statement of cash flow, which in the past nine months shows positive cash from operations, as Shopify was finally able to stay out of the red. It's a big improvement from a year ago when the company had burned through US\$11 million from its operations alone.

Ultimately, cash flow is more important than net income, as it portrays a more complete picture of where the company is today. While it may be disappointing that [costs continue to rise](#) and that Shopify reported a deeper net loss this quarter, many of those additional costs are non-cash items that won't impact the company's ability to grow its business.

Company continues to reinvest in technology

Another item that stood out on the company's statement of cash flow for the trailing nine months was that Shopify's purchase of property and equipment was more than double what it was this time last year. This is important to note, as it helps to explain why the company is still in the red; Shopify is still growing and looking for ways to add value for customers. The company is not simply content with its offerings today and is constantly looking to add value.

In the company's release, it noted its recent launch of Shopify AR (Augmented Reality), which introduces real-life 3D models that will allow consumers to see products in a new way and provide more in-depth analysis before making a purchasing decision.

Shopify has also opened a physical store in Los Angeles recently in an effort to showcase its array of products and services. It could be a great way to help conceptualize to vendors and customers the value that Shopify could add, which could help lead to even more users down the road.

Improved guidance for the year

Shopify also increased its expectations for the year, with sales for 2018 projected to be between US\$1.045 billion and US\$1.055 billion, which is up slightly from what it was expecting earlier in the year. It also expects to post a smaller net loss as well.

Shopify is a great buy given the recent drop in price

There were a lot of positives in the company's Q3 earnings, and I'd expect the stock to generate some momentum as a result of this, especially in light of its recent [drop](#). The big question is whether the markets as a whole will continue to be down and limit the stock's gains. Either way, this is good news for Shopify, and I believe will set it back on a positive path.

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djagielski

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