



5 Massive Reasons Shopify Inc. (TSX:SHOP) Stock Is Taking Off Like a Bat Out of Hell

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) stock is flying through the roof today Oct. 25, soaring a massive 11.8% as of the time of this writing. It's a much-needed breather for investors in the cloud-based e-commerce platform, who've seen the stock [lose substantial ground](#) in recent weeks. Thank a solid third-quarter report from Shopify, which is sending the bears scurrying for cover.

Here are five big numbers that are sending Shopify shares flying through the roof.

Subscription revenue jumps 46%

Shopify's key source of income is the recurring revenue that it gets from merchants under its subscription plans to use its platform to sell their products and services. In the third quarter, Shopify reported a solid 46% year-over-year jump in its subscription solutions revenue to US\$120.5 million. This was driven primarily by new merchants who joined the Shopify platform.

Now here's the big number: Shopify's subscription solutions revenue grew 70% year over year for the nine months ended Sept. 30. Shopify's merchant base is clearly expanding at a steady pace, which is great news.

GMV hits US\$10 billion

Gross merchandise volume (GMV) is a widely used metric in the e-commerce space, as it indicates the total value of orders processed on a platform during a given period, giving a sense of the size of the business.

Q3 was a significant quarter from that standpoint as Shopify hit a milestone, with its GMV jumping 55% to the prized US\$10 billion mark. For perspective, Shopify's GMV for the full fiscal 2017 was US\$26 billion.

Thanks to strong GMV growth, Shopify's merchant solutions revenue, which primarily includes processing and shipping fees for transactions, jumped 68% to US\$149.5 million.

Revenue soars 58%

A growing merchant base and transaction volumes on its platform is ensuring Shopify's top line remains northward bound. In Q3, the company revenue surged 58% year over year to US\$270.1 million.

For the nine months ended Sept. 30, Shopify's revenue grew 62%, which means the company is on its way to set new records this fiscal year.

In fact, the company is exceeding its own expectations, as is evident from its latest guidance for the full year.

Fiscal 2018 revenue to cross US\$1 billion

With a solid third quarter behind it, Shopify is now geared up for a busy festive season, one that it believes should shore up its revenue more than it previously anticipated.

Shopify now expects to generate US\$1.05 billion in revenue for the full year at the midpoint, which is 3% higher than its previously guided range. That figure, however, represents 56% growth over 2017.

Losses shrink, cash balance swells

This perhaps is the most important factor behind the market's positive reaction to Shopify today.

To be clear, Shopify is yet to turn a profit, but its losses are shrinking. So, for the full year, the company expects to report a GAAP loss of US\$95-97 million versus US\$105-110 million it guided for earlier.

The biggest takeaway?

Shopify's liquidity position looks great right now: it reported nearly US\$243 million in cash and equivalents as of Sept. 30 compared with US\$142 million as of the end of last year. That's as solid as it can get.

In short, Shopify's Q3 report should [make its critics squirm](#), even as patient investors watch the growth stock rally like it has today.

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