

# Shopify Inc (TSX:SHOP) Killed It on Black Friday: Time to Buy the Stock?

## Description

The numbers are in, and **Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)) killed it on Black Friday and Cyber Monday. With vendors selling \$1.5 billion worth of goods and transactions reaching \$37 million per hour, it was a record-breaking weekend for the company.

Shopify's own take is hard to gauge, but possible to estimate. The company's cut ranges between 2.9% for the basic plan and 2.4% for the advanced plan. Assuming the average was in the middle, at 2.65%, the cut would be about \$40 million. Add into the equation the \$2.9 cents that Shopify takes for every transaction, and the total grows higher.

It's clear that Black Friday and Cyber Monday will help Shopify's bottom line. But is it enough to make the stock a buy? First we need to look at what powered these extraordinary numbers.

### 5200 transactions per minute

The cause for Shopify's sky-high Black Friday numbers is simple: people were spending a lot of money on Shopify stores. On top of the percentage cuts discussed above, the company also takes a \$0.029 per sale fee. According to Shopify's data, stores were making 5200 sales per minute, which would give us about 312,000 sales per hour, or \$9048 in fees per hour.

Assuming these figures held steady over 24 hours, that would be \$434,304 in fees between Black Friday and Cyber Monday alone (not counting weekend sales). That brings our total (fees and cuts combined) to about \$40.4 million. But we're not done yet.

### Shopify's business model

So far I've estimated Shopify to have made about \$40.4 million on Black Friday and Cyber Monday from fees and cuts. But remember, I'm figuring conservatively here. In truth, the numbers are likely much higher. After all, I'm not even counting Saturday and Sunday sales. And, on top of these fees, Shopify also has [subscription charges](#), which can get as high as \$299 a month for Shopify Advanced (I'm not even talking enterprise plans here).

On the surface, it might not look like subscription fees should factor into what Shopify made on Black Friday weekend. But it's quite possible that Shopify signed up new vendors who wanted to use the platform specifically to run their Black Friday offers, in which case Black Friday may have upped the company's recurring income as well.

### Is Shopify a buy?

The big question for investors is whether Shopify's Black Friday data makes the stock a buy. After all, Shopify isn't releasing any earnings until January, so numbers like these are very important to investors considering buying now.

In my opinion, the numbers are very encouraging, for several reasons. First, they're way up from Shopify's 2017 Black Friday weekend. Second, data shows that consumers in general are switching from in-store Black Friday shopping to online, which will benefit Shopify over the long term.

And finally, the fact that Shopify has been able to process all these transactions without a single outage may convince new vendors to switch to the platform, which would lead to growth in subscriptions.

I don't think that Shopify's black Friday earnings will be enough to cover the [growing expenses](#) that have made value investors wary of this stock. But for growth investors willing to take on a little more risk, they make a great case for buying now.

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