



Will Shopify Inc (TSX:SHOP) Beat Earnings Estimates This Week?

Description

Tomorrow, **Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)) will be releasing earnings for Q4 2018—the period ended December 31. The quarterly report will cover a busy period for Shopify, which included highly publicized sales boosts from Black Friday and cannabis legalization.

Analysts have high expectations for Shopify's Q4 earnings. After failing to post positive (GAAP) net income in Q3, analysts are expecting the company to post diluted EPS around \$0.2 per share. If Shopify meets or beats those estimates, then it will be a major boon to the company—whose stock rose 32% in 2018, and another 26% so far this year.

It won't be long until we learn whether Shopify meets, beats or misses earnings expectations. But we can make a reasonable estimate of what will happen based on the company's 2018 data releases. Unlike most other companies, Shopify tends to release sales data in real time during key periods like the holidays. We can use this data to gauge how Shopify is doing ahead of earnings. But first, let's take a look at what analysts expect for Shopify's Q4.

What analysts are expecting

According to data from 25 analysts, the average estimate for Shopify's Q2 earnings is \$0.02, while the revenue estimate is \$327 million. Based on past revenue growth rates, the company should easily hit or surpass the revenue estimate; \$327 million is just 21% higher than Shopify's Q3 earnings, and this company tends to grow by high double digits quarter over quarter. As for the EPS figure, that's more up in the air. Shopify typically posts two EPS figures: GAAP and adjusted. The company's adjusted figures have a history of beating analysts' estimates, while the GAAP figures often underperform.

GAAP vs non-GAAP earnings explained

GAAP is an acronym for “generally accepted accounting principles.” They outline the way that accountants are to calculate various financial metrics. Companies are legally obligated to report GAAP earnings, but they can report non-GAAP (adjusted) figures as well. A company is at liberty to use unconventional accounting standards when reporting adjusted earnings, but they have to include a

section in their financial reports that reconciles non-GAAP to GAAP earnings. In general, Shopify's adjusted figures tend to differ from GAAP figures by a wide margin. For example, in Q3, the company posted a \$0.04 adjusted EPS, while its GAAP EPS was \$-0.22.

Reason for optimism

Shopify's live financial data provides reason for optimism regarding the company's upcoming earnings. In Q4, Shopify had two major events that resulted in massive revenue boosts: [cannabis legalization](#) and Black Friday. On legalization day, Shopify processed 100 legal cannabis orders per minute. During Black Friday weekend, the company processed a whopping 10,000 orders per minute and [\\$1.5 billion](#) worth of sales. Note that that \$1.5 billion is total sales processed, not Shopify's cut. However, as Shopify takes \$0.3 per transaction plus 2.9% of all sales on its basic plan, we can ascertain that the company earned a lot of revenue that weekend.

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