



3 Takeaways From Shopify's (TSX:SHOP) Latest Financial Results

Description

It seems **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) isn't done defying expectations. While warnings that the [tech firm's share price is overvalued](#) are abound — and with various major corporations [looking to enter the e-commerce market](#) — Shopify's latest financial results showed the strength of its business model. Here are three takeaways from Shopify's Q2 earnings report.

Total revenues soar

This was perhaps the most anticipated figure in Shopify's earnings release. Fortunately, the firm did not disappoint. The Ontario-based tech giant posted revenues of \$362 million — a 48% year-over-year increase. Shopify's revenues were once again ahead of analysts' estimates by some margin — something the firm has made a habit of. Shopify's stock has been providing returns that far exceed that of the market for the past few years largely due to an exponential increase in its revenues. The company's top-line growth isn't over just yet.

Looking a bit deeper into Shopify's revenues arguably paints an even better picture. The firm's subscription solutions revenues increased by 38% year over year. This growth was spurred by an increase in the number of merchants on the company's platform. With its services offerings also widening, and an increasing number of merchants using these services, Shopify's merchants solutions revenues jumped by about 56% year over year. An increase in gross merchandise volume (the total sales value for merchandise sold on the company's platform) also played a role in Shopify's excellent revenue.

Gross profit impresses

Shopify's gross profit saw an even greater jump than its revenues. The firm posted a gross profit of \$204.8 million, which amounts to a 50% growth compared to the corresponding period of the previous fiscal year. The company claims that this was due to new pricing terms as well as a one-time benefit. Further, Shopify increased its guidance for the current fiscal year on the heels of its excellent earnings report. The company now expects revenues in the range of \$1.51 billion and \$1.53 billion — an increase of a prior forecast in the range of \$1.48 billion to \$1.50 billion.

Shopify's e-commerce presence is still growing

Tobi Lütke, CEO of Shopify said the following in a press release to accompany Shopify's latest earnings report: "It should be easier than ever to start a business, but entrepreneurship is still too hard. Our job is to keep innovating on behalf of entrepreneurs so they can compete in an ever-changing retail landscape." Clearly, the tech firm seems to be delivering on its promise to keep innovating as it continues to attract new users. Shopify is now one of the top three e-commerce platforms in terms of GMV in the U.S.

The bottom line

Shopify is still not profitable on a GAAP basis, and the firm is now expecting a larger net loss than it had previously anticipated for the current fiscal year. However, the company's plan to prioritize long-term growth over short-term profits is working like a charm. Shopify looks increasingly well positioned to take advantage of the ever-growing e-commerce market. That is why I still believe it is a buy.

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