



Shopify (TSX:SHOP) Earnings Reveals It's Time to Cash Out

Description

Canada e-commerce company **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) continues to amaze investors and contradict doubters like me.

On August 1, the company reported better-than-expected 2019 second-quarter financial results. After the earnings beat, the stock climbed by another 7.7% to \$451.58 and is now up 139.2% year-to-date.

Shopify's [momentum](#) continued in the second quarter with the sped-up international expansion. New global names were added to the company's partner network, which translated into an even larger mix of international merchant store base.

The registered merchants' year-over-year gross market value (GMVs) reached new levels of success from Q1 2019. Merchant sales reached a new milestone in Q2 with the \$2 billion average weekly sales.

The increase was spectacular as until recently, it took Shopify's merchants a full year of sales before reaching the impressive weekly average sales numbers.

Over 1,500 partners and developers of Shopify coming from over 50 countries attended the recently held Shopify Unite Conference. The upcoming software features were announced in the event.

Earnings highlights

Shopify delivered a strong second quarter. The financial results highlighted the power of the company's business model and the strength of execution. Revenue grew by 48% year-over-year while Subscription Solutions revenue climbed by 38%. The monthly recurring revenue (MRR) growth was 34%.

The highly advertised Shopify Plus for merchants with large sales volume contributed 26% to Q2 MRR versus 23% in Q2 2018. The revenue growth in Subscription Solutions was faster than MRR and was attributed to the strong growth in app and plus platform fee revenue.

Merchant Solutions revenue grew by 56% during the quarter compared to the same period last year. For GMV expansion, there was a 51% acceleration year-over-year.

Flywheel in motion

The appeal of entrepreneurship makes Shopify successful, and it is universal. Entrepreneurs worldwide love the e-commerce platform.

According to Shopify, the merchant's centric business model is the key. The model specifies that multiple voices contribute to the future of commerce notwithstanding location or scale.

Shopify plays a significant role in helping merchants achieve their growth objectives. The diversity of merchants investing in the platform is clear.

Adding 11 more languages in the second quarter also improved Shopify's product-market fit in various regions. Merchants can use the language they prefer.

The newest product, Shopify Fulfillment Network, is a major product expansion area for merchants. It was introduced because merchants need fast, reliable, affordable fulfillment which can make a huge difference with or without merchant sales.

Many merchants will enroll in this early access program.

Time to sell

Shopify expects to report a 1.33% increase (\$382 million) in revenue for the third quarter. The company also adjusted full-year revenue forecast which could be between \$1.51 billion and \$1.53 billion. The prior full-year prediction was \$1.48 billion to \$1.50 billion.

With such great numbers and guidance, I'm wavering on [my previous stand](#). There's an opportunity for growth. However, I'm not ready to pay top dollar for future growth.

I would still sell Shopify if I own shares today and cash out. I'll regret it if I don't in case there's a pullback.

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