3 Metrics Behind Shopify's (TSX:SHOP) Soaring Stock Price

Description

Trade tensions are heating up, and the TSX is crashing again. But don't tell that to **Shopify** (TSX:SHOP)(NYSE:SHOP) investors, who have seen their shares pop over 4% this month.

Shopify is one of the best TSX growth stories — a rapidly expanding tech company that is massively outperforming the benchmark. Since its IPO three years ago, Shopify's shares are up over 1,000%, in a period when the TSX as a whole has barely budged. The company's stock price gains have been driven by stellar growth in the underlying company, which routinely grows revenue by 50% or more year over year.

Recently, Shopify released a quarterly report that showed strong growth across the board. The following three metrics from the report can help explain why this stock is doing so unbelievably well.

48% revenue growth

In Q2, Shopify grew overall revenue by 48% year over year. This includes 38% growth in subscription services, 26% growth in MRR, and 56% growth in merchant solutions.

Not only is Shopify's overall revenue growth strong, but it's strong in every single business unit, which seems to suggest a business that has not a single underperforming monetized offering. And the good news doesn't end there.

Adjusted earnings up 700%

Shopify's adjusted earnings totally exceeded expectations in Q2, coming in at $0.14 compared to the $0.02 analysts expected (and which the company actually delivered in the same quarter a year ago).

On a less encouraging note, the GAAP net loss came in at $0.26 per share compared to $0.23 a year ago; however, even GAAP losses are growing smaller and smaller as a percentage of actual revenue.

High-volume retailers make up 26% of MRR

Now for what may be the most exciting metric out of Shopify's Q2 report.

The percentage of revenue coming from high-volume retailers is way up. Specifically, the Shopify Plus plan, which serves high-volume vendors, made up 26% of MRR in the quarter, up from 23% a year ago. This is encouraging because it shows that Shopify's revenue is increasingly coming from big retailers that can power a lot of sales.

In the past, I wrote about how Shopify had become the go-to e-commerce platform for celebrities like Justin Bieber, Adelle, and Jeffree Star. These are high-volume sellers who can bring in large and increasing sales, of which Shopify gets a cut, and they can increase Shopify's revenue without it having to sign on new vendors. The prospect of high- and *low-cost* growth is very real here.

Foolish takeaway

Over the past three years, Shopify has been one of the TSX's biggest growth stories. Beating the market year in and year out, it has delivered returns that only weed stocks can equal, but without the volatility that "big weed" suffers from.

As we saw in Q2, Shopify shows no signs of slowing down. Now the only question is, how far can it go?

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Tech Stocks

Tags

1. Editor's Choice

Date
2025/06/29
Date Created
2019/08/07
Author
andrewbutton