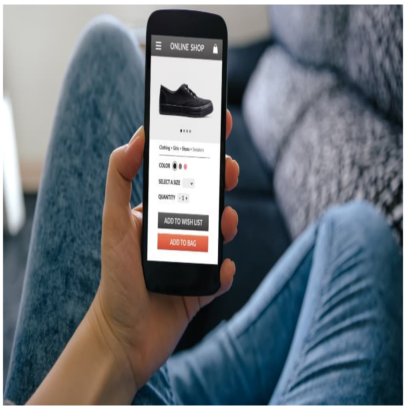

Shopify (TSX:SHOP) Stock Is a Solid Buy After Q1 Earnings Beat

Description

Signs were already coming in that **Shopify** (TSX:SHOP)(NYSE:SHOP) was looking at an earnings beat. However, few investors back in March could have predicted the astounding victory that was its Q1 report. Shopify smashed expectations with 47% year-on-year revenue growth.

However the e-commerce company nevertheless struck a cautionary note in its report, stating that it is “unclear how sustainable consumer spending levels will be in this uncertain economic environment.”

A gravity-defying growth stock?

Revenue growth is the Holy Grail for investors in the current market. Finding any company that has grown its income since this time last year is no easy feat. But Shopify’s earnings beat this week has shown that it is far from impossible. Indeed, Shopify is now leading the way as a model company to look up to. Its performance will be hard to match, as earnings season gears up to deliver a round of disappointing data.

New store growth was an incredible 62% in the last quarter. But that may not be replicable as the economy gears up for re-opening. Would-be Shopify shareholders may therefore want to wait for a pullback and buy the dip.

A top stock to buy and hold

Shopify is emerging from the momentum investment phase to become a true forever stock. This is no longer a name to be traded. Instead, Shopify should form the cornerstone of the tech segment of a TSX stock portfolio. Shareholders should buy in stages until they reach the desired size of their position. Then they should settle in for years of capital appreciation.

This is the **Amazon** of the millennial generation. Shopify is strongly reminiscent of the stock that Warren Buffett famously allowed to get away. The extreme frothiness of the market illustrates exactly why this is so. This is not some frivolous app or technological sideshow. Shopify is the future of retail, as its million-or-so e-commerce merchants signify.

Shopify has had a truly extraordinary quarter given the market. One thing that investors may want to keep in mind, though, is that the behaviour of the markets — and of consumers — in the last three months is not repeatable. The virus will continue to impact the market. But its emergence and spread, and the markets' initial reactions, can surely only happen once.

Whatever happens next with Shopify will be a continuation of the current situation. It will never have a quarter like the one that just passed. But its reaction to future pandemics, should they occur, or indeed to other significant societal impacts may very well be similar. In essence, Shopify could be the ultimate recession-proof stock.

The bottom line

Shopify benefits from low overheads, simple technology, and the growth in online retail. It captures the consumerist drive of society but with far less of the risk of brick-and-mortar stores. The suitability of its business model to the current situation is not lost on investors. But, more importantly, as this week's earnings report shows, consumers and merchants alike clearly find that model suitable, too.

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2. Editor's Choice
3. Shopify Stock
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