



Shopify Q2 Earnings Preview

Description

During the first quarter of 2020, the world went through one of the most tumultuous times in recorded history. The market was dropping day after day, and many wondered when it would bottom out. Even after the market came [roaring back at inexplicable rates](#), investors expected a second crash to affect the market.

One of the biggest stories coming out of the market bottom has been **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). At the time of this writing, Shopify stock had increased about 175% since the market bottom. At its highest, the stock rose more than 200% over the past four months! How will Shopify fare at its next earnings call on July 29?

What has happened since the last earnings call?

On May 6, the company reported a beat on earnings on a GAAP-basis (by \$0.50) and by non-GAAP measures (by \$0.36). Shopify also reported a beat on revenue by \$27.08 million. These results were met by a slight pop in the company's stock price after hours.

Since then, Shopify has not stopped jumping on the opportunity to push its online stores to more consumers, as people turned to online shopping during the pandemic. The day after earnings, the company announced that it had [established a partnership](#) with **Pinterest** which would allow merchants to upload their catalogs to Pinterest and turn products into shoppable pins. The app is free to install on Shopify and targets Pinterest's more than 350 million monthly users.

On May 9, Shopify briefly passed **Royal Bank of Canada** as the largest company by market cap in Canada. Many investors feared that the company would fall, as have previous companies that achieved this feat prior (e.g., **BlackBerry** and **Manulife Financial**). Three days later, on May 12, the company announced an expanded partnership with Digital Main Street, which would help up to 3,000 independent businesses based in Toronto, Canada.

The company then announced its partnership with **Facebook** on May 19, through the introduction of a free tool named Facebook Shops. CEOs Tobi Lütke (Shopify) and Mark Zuckerberg (Facebook) hosted

a live **Twitter** stream to announce the partnership. Although the two companies have been partnered since 2015, this new tool allows merchants to create a customized online storefront for Facebook and Instagram.

The day after, Shopify hosted Shopify Reunite. This was the company's first virtual event. It allowed attendees to receive updates on the company's most recent developments and introduced new products that would help merchants build their companies in the future. Some of the biggest developments presented were Shopify Balance, Shop Pay Installments, and Local Delivery.

The next day, Shopify announced a collaboration with CoinPayments which allows online stores to accept payments using cryptocurrency. The last major partnership announced by the company was with **Walmart** on June 15. This marked the first time that Walmart has partnered with an e-commerce platform and allows merchants to sell their products on Walmart.com.

Looking ahead to the next earnings report

Shopify has seen incredible growth since its last earnings call. At its peak, Shopify stock increased over 36%. Shares saw a decrease over the past week as the tech sector was hit on COVID-19 vaccine optimism. For the company to sustain its sky-high valuation, it will need to show extraordinary numbers.

On April 16, Shopify's chief technology officer Jean-Michel Lemieux tweeted that the company was handling traffic usually only seen on Black Friday, every day. This sort of traffic will certainly help the company reach the expected earnings results. Consensus analyst EPS is -\$0.54.

Foolish takeaway

Shopify had a strong Q1 earnings call. The new partnerships the company has announced since its last earnings report should have helped merchants expand their customer base. However, it may have also encouraged new merchants to choose Shopify as their platform of choice. This quarter's earnings call on July 29 should be very interesting to say the least.

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Date

2025/08/25

Date Created

2020/07/24

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