Shopify Earnings: 3 Quotes You Should Know

Description

Shopify (TSX:SHOP)(NYSE:SHOP) stock has done very well this year during the COVID-19 pandemic. Earnings at the company have soared along with e-commerce adoption among consumers. Nevertheless, on Friday, October 30, the day after the company reported its third-quarter 2020 financial results, the stock was down 4.36% or $56.57.

At the time of writing, the stock is trading for $1,239.84 and a price-to-earnings (PE) ratio of 594.84. During the past year, this e-commerce stock has gone from a 52-week low of $372.01 to a 52-week high of $1502.

The PE ratio tells us that shareholders have already priced in much of Shopify's future growth into the share value. Moreover, Shopify stock has a price-to-book ratio of 32.05 and a price-to-sales ratio of 72.39. Thus, this is a risky stock to buy at its current market valuation.

Before you decide to buy Shopify, here are three quotes you should know from its third-quarter earnings release.

Shopify stock reports strong earnings during COVID-19

Shopify President Harley Finkelstein commented on the large increase in digital consumerism during the COVID-19 health emergency:

> "The accelerated shift to digital commerce triggered by COVID-19 is continuing, as more consumers shop online and entrepreneurs step up to meet demand. Entrepreneurs will be the force in rebuilding economies all over the world, which makes it even more important for Shopify to innovate and build the critical tools that merchants need to succeed in a low-touch retail environment."

The shift to e-commerce galvanized e-commerce trends and earnings growth at Shopify, strengthening the trend toward digital consumerism — the primary driver of Shopify's strong price performance this year.

Merchants adopt in-store curbside pickup delivery

Finkelstein also discussed merchant strategies to blend e-commerce with brick-and-mortar retail:

> “Entrepreneurs have proven time and again that they’re resilient and resourceful, and here’s how merchants are tackling their challenges head on in the midst of the COVID-19 pandemic. First, our merchants are creating new buyer opportunities. 39% of brick-and-mortar merchants in our English-speaking geographies adopted some form of local in-store curbside pickup delivery sources in Q2. That is up from 26% in early May to meet increasing local demand.”

Brick-and-mortar retail is not completely dead yet. Therefore, Shopify has helped traditional merchants adopt local in-store curbside pickup and delivery strategies to attract customers. These strategies will help Shopify continue to report strong earnings.

Shopify Capital increases loans by 79% during the third quarter

The official press release reported a strong uptick in merchant cash advances and loans from Shopify Capital:

> “Merchants in the U.S., Canada, and the U.K. received $252.1 million in merchant cash advances and loans from Shopify Capital in the third quarter of 2020, an increase of 79% versus the $141.0 million received by U.S. merchants in the third quarter of last year. Shopify Capital has grown to approximately $1.4 billion in cumulative capital advanced since its launch in April 2016, with approximately $248.0 million of which was outstanding on September 30, 2020.”

With merchants struggling during the COVID-19 pandemic, Shopify Capital has stepped up to the plate to lend money to small businesses. This could be an area of risk or reward for the e-commerce platform.

On the one hand, investors are concerned about growing defaults amid economic uncertainty. Then again, Shopify has an incentive to promote promising businesses that use its platform.

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