



## Is Shopify (TSX:SHOP) Stock a Buy After Doubling Sales in Q4?

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) released its fourth-quarter results on Wednesday. Is the stock a buy following earnings? Let's take a look at its results.

### Record revenue and profit amid a massive year of growth

Shopify's profit, revenue, and gross merchandise volume (GMV) exceeded analyst estimates for the December quarter on Wednesday, as e-commerce continued to thrive amid the coronavirus pandemic. Shopify [stock fell](#), as the company declined to release specific revenue guidance for 2021 after an explosive year.

The Canadian company said it earned \$1.58 per adjusted share in the fourth quarter, up 267% from the same period a year earlier. Revenue nearly doubled to \$977.7 million.

Analysts were expecting Shopify to earn \$1.28 per share on revenue of \$910.2 million for the period ended Dec.31. A year earlier, Shopify had earned \$0.43 a share on revenue of \$505.2 million.

Gross merchandise volume (GMV), an industry metric to measure transaction volumes, rose 99% to \$41.1 billion in the all-important holiday shopping season, the third consecutive quarter of record growth, also exceeding analysts' estimates of \$36.67 billion, according to IBES data from Refinitiv.

Shopify sets up e-commerce websites for small businesses and partners with others to handle digital payments and shipping. It attracted thousands of businesses, as the brakes imposed during the global health crisis accelerated the switch to electronic commerce. The e-commerce company has stepped up for businesses amid the coronavirus emergency. It offers free trials when building an enhanced online store.

The Ottawa-based company, which generates revenue through subscriptions and merchant services, said recurring monthly revenue increased 53% to \$82.6 million, as more free-trial sellers converted to paid subscribers.

Shopify said fourth-quarter merchant solutions revenue increased 117% to \$698.3 million from estimates of \$643 million. In addition, subscription solutions revenue increased 53% to \$279.4 from \$265 million.

Additionally, Shopify said it plans to increase investment in sales and marketing as well as research and development. The company is also building a U.S. distribution network to store and ship products for its merchant customers.

## Shopify sees slower growth in 2021

Shopify has hinted revenue growth will slow this year, as vaccine deployments encourage people to return to stores after the Canadian e-commerce company beat earnings and revenue expectations for the holiday quarter due to the growing online demand.

[In its earnings release, Shopify said:](#) “As a result, we expect that we will continue to grow revenue rapidly in 2021, albeit at a lower rate than in 2020. While we expect that the first quarter will likely still contribute the smallest share of full-year revenue and the fourth quarter the largest, the revenue spread may be more evenly distributed across the four quarters than it has been historically if the rollout of a vaccine shifts more spending to services and offline shopping towards the back half of the year.”

Starting with the current March quarter, Shopify stock will have more difficult year-over-year comparisons, analysts say.

The company said it does not expect the near-doubling of gross merchandise volume to repeat this year.

The rollout of COVID-19 vaccines will likely cause some consumer spending to rotate to physical stores and the shift to e-commerce, which accelerated in 2020, will likely resume a more normalized pace of growth, the company said.

Shopify, which partners with **Walmart** and **Facebook**, announced on Wednesday plans to boost investment in products such as Shop App, International Expansion, and Shopify Fulfillment Network.

While Shopify’s growth will slow in 2021, growth should still be strong in 2021. Despite this, it appears more prudent to wait before buying shares, since the stock has gotten very expensive after soaring about 150% in one year.

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