



Shopify (TSX:SHOP) Clocks in Blowout 1st-Quarter Earnings: Time to Buy?

Description

Don't look now, but **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock is surging after many months of consolidating in the low \$1,300 levels. The nearly 12%, single-day pop was thanks to [an incredible blowout quarter](#) that managed to crush analyst expectations.

The bar was set pretty high going into earnings, to say the least. Yet, Shopify managed to pole-vault over expectations. Shopify's incredible founder and CEO Tobias Lütke, managed to pull it off once again. And that's why you never bet against the Canadian e-commerce king, even if SHOP stock is fresh off a bear market plunge.

Another incredible Shopify quarter for the record books

Shopify clocked in a US\$1.26 billion net profit for its first quarter, crushing the analyst consensus, thanks in part to pandemic tailwinds. Revenues soared 110% to US\$989 million, beating the Street, which called for US\$860 million. Gross merchandise volume also blew past estimates.

Shopify posted remarkable strength right across the board. With nearly US\$8 billion in cash sitting on the balance sheet, Shopify has enough liquidity to pull the trigger on a potentially sizeable acquisition, perhaps to counter **Amazon.com's** recent acquisition of Selz. In any case, Shopify has options, and Amazon.com has met its match in the SMB (small- and medium-sized business) arena.

In short, Shopify is firing on all cylinders, and there's no evidence of the slowdown, at least not yet. However, Shopify's management did warn that investors shouldn't expect the same magnitude of momentum to persist for the rest of the year, as pandemic tailwinds look to fade into year's end.

Should you buy Shopify after its incredible post-earnings pop?

In numerous prior pieces, I've pounded the table on Shopify stock, urging investors to load up on the name, as it held above its \$1,300 support level before the stock had a chance to bounce, likely on an earnings beat.

"As one of the bigger 2020 winners, Shopify stock is being punished for all the wrong reasons. The company is a disruptor, and it's leveraging incredible technologies to spread its wings across the SMB e-commerce market, which is still lightly penetrated." I wrote in a prior piece, touting [Shopify as a cheap stock](#), despite the seemingly hefty price-to-sales (P/S) multiple. "The latest dip in Shopify stock is likely to prove to be a great long-term buying opportunity."

Now that Shopify is fresh off yet another earnings beat, the price of admission is over 10% higher. Still, I think SHOP stock is a great buy for long-term investors. The e-commerce kingpin, I believe, has far more growth left in the tank, as it looks to go after the rest of its lightly penetrated total addressable market.

Foolish takeaway

While the growth will surely decelerate in the latter quarters of the year, as more vaccine jabs are given in arms, and people return to shopping malls, I suspect analysts will lower the bar accordingly. As such, Shopify remains a great long-term pick before shares have a chance to break out. I think the first-quarter numbers were that good. And think SHOP stock is now capable of sustaining a rally to much higher levels.

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Author

joefrenette

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