



## Shopify Inc (TSX:SHOP): The Best Is Yet to Come

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) recently released a blockbuster earnings report that blew past Wall Street's expectations. In it, the company reported 110% annualized growth in revenue and \$1.3 billion in net income. The quarter's profit included a massive one-time gain on a subsidiary that went public; earnings were about \$250 million without that one-time gain.

It was an incredible quarter. And management thinks that the best is still to come. Until recently, Shopify thought that its growth would decelerate post-pandemic. But recently, management changed their tone, saying that strong growth was likely to continue in the year ahead. In a note to investors, President Harley Finkelstein said that the trend away from retail and toward e-commerce was likely to become the new normal in the years ahead. In this article, I'll explore Finkelstein's comments and what they mean for the future of Shopify.

### Growth expected to continue post-pandemic

In a recent analyst call, Harley Finkelstein commented on the future of e-commerce in the post-COVID world. The most noteworthy point he made was that the COVID-era shift to e-commerce was likely to continue post-pandemic: "The centre of gravity was offline. It is now online, and there's no going back to the pre-pandemic version of that."

It was a striking statement. As recently as last year, Shopify's CFO Amy Shapero was warning investors to beware deceleration in the year ahead. Now, it looks like the company thinks the e-commerce boom is here to stay. And it may have good reason to think this. The COVID-era surge in online shopping was partially driven by [retail stores being forced to shut down](#). But with the pandemic having lasted as long as it has, many retail chains have closed permanently. That's a *long-term* tailwind for e-commerce, because consumers will have fewer retail options even after the pandemic ends. Additionally, the growth of e-commerce was a long-term secular trend well before COVID began, and there's no reason for it to *not* continue when the pandemic is over.

## Ready to take on Amazon?

It's clear at this point that Shopify sees a rosy future for itself and for e-commerce as a whole.

But one question remains: Will it be able to take on **Amazon** ([NASDAQ:AMZN](#))?

Shopify is in indirect competition with Amazon's massive online store, [which competes with it](#) for a share of vendor's sales. To be sure, the two companies' business models are different. Amazon offers a store for vendors to sell on; Shopify provides the infrastructure for businesses to operate their own stores. But they both make money by taking a cut of vendors' sales, and to the extent that they have vendors in common, success for one could harm the other.

If Shopify is going to "beat" Amazon, it's got a long road ahead of it. Amazon is a trillion-dollar behemoth doing \$368 billion in annual sales. It will take a long time for Shopify to catch up with that. But it could happen. The more vendors realize the cost-saving advantages of hosting their own stores, the more they'll want to migrate to Shopify. Already, we're seeing some large businesses going with Shopify as their e-commerce provider of choice. So, it would be foolish to count the company out. It could easily fulfill its long-hyped promise of becoming the "next Amazon."

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