



## Screaming Buy! Why Shopify Stock Popped 20% Last Week

### Description

The shares of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) staged a massive rally last week, despite the broader market weakness. The stock settled with about 20% gains for the week against a 0.7% drop in the **TSX Composite Index**. Let's take a closer look at what could be the key reasons for Shopify's recent rally and why its [stock is worth buying](#) right now.

### Shopify: Latest news

Last week on June 15, Shopify [announced](#) a critical step that's likely to drive big growth in its Shop Pay payment service. The Shop Pay payment option will be available on **Facebook** and Instagram later this summer, while it will be available on Google later in 2021. The Shop Pay payment option will be available to all merchants on these platforms regardless of the commerce platform they use.

Shopify claims the checkout process using payment method to be 70% faster than a typical checkout on its own e-commerce platform.

### Massive business growth is likely to continue

Last year, Shopify reported a significant rise in its sales and earnings growth due to a rise in the demand for its e-commerce services. The COVID-related shutdowns and restrictions encouraged a large number of small- and medium-sized businesses to offer their products and services online. Many such businesses found Shopify's e-commerce platform quite convenient and easy to manage — leading to a demand surge. That's the key reason why Shopify's revenue rose by 86% last year while its earnings per share jumped to US\$3.98 in 2020 from just US\$0.30 in 2019.

While Shopify may not be able to maintain this extraordinary revenue and earnings-growth rate in the post-pandemic world, it still would remain strongly positive. Analysts expect its earnings to rise to US\$4.15 per share this year with the help of a nearly 51% rise in its sales. Overall, you can expect Shopify to continue reporting stunning financial growth in the medium term.

## Is its stock worth buying right now?

In the first quarter, Shopify's earnings increased by 958% YoY to US\$2.01 per share. Its latest quarterly earnings were more than double than analysts' consensus estimate of US\$0.75 per share. The company's total revenue for the quarter rose by 110% YoY to US\$988.6 million.

While some critics continue to point towards a possible decline in its sales growth rate in the coming quarters, I expect the company to continue beating analysts' expectations. Most businesses that joined Shopify's e-commerce platform during the pandemic period may continue to stick with it, even after the pandemic-related woes are over. The kind of features and ease of use that Shopify's platform provides to merchants could keep the demand high. That's one reason why I expect its stock to outperform the broader market by a wide margin in the long term.

Shopify stock has delivered outstanding 174% and 178% positive returns in 2019 and 2020, respectively. The stock is currently trading with only 27% year-to-date gains. And its 2021 rally might have just started, in my opinion.

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### Date

2025/08/25

### Date Created

2021/06/21

### Author

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