



Shopify (TSX:SHOP): A Screaming Buy Right Now?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) stock recently went through a massive rally, despite weak conditions in the broader stock market. Between June 3 and June 21, 2021, Shopify stock gained almost 26%, despite a slight drop in the **TSX Composite Index**.

I will take a closer look at Shopify stock to help you understand the reasons for its recent rally and why it might be worth adding to your portfolio right now.

Recent update with Shopify's payment service

On June 15, Shopify's management made a crucial announcement regarding its payment service called Shop Pay. Shopify's Shop Pay payment will become available on popular social media platforms **Facebook** and Instagram later in the summer. It will also become available on Google later this year. Shop Pay will be available to all merchants operating on these platforms, regardless of the e-commerce platforms they use.

Shopify's management has claimed that the checkout process through Shop Pay is 70% quicker than the average checkout process on its own e-commerce platform, offering a substantial upgrade to merchants.

Positive outlook for business growth

Shopify had a stellar year in 2020, as it reported a substantial rise in its sales and revenue growth because of increasing demand for its e-commerce services. COVID-19-fueled lockdowns forced many small- and medium-sized businesses to shift to an e-commerce business model. The result was Shopify massively growing its customer base.

The sudden uptick in demand increased Shopify's revenue by 86% and increased its earnings per share from US\$0.30 in 2019 to US\$3.98 in 2020. Analysts expect the company's earnings to increase with the help of a nearly 51% rise in its sales this year.

While the company might not retain a similar earnings-growth rate as the pandemic subsides, it will continue enjoying a strong earnings growth rate. You can expect Shopify to continue delivering [significant financial growth](#) in the years to come.

Foolish takeaway

Shopify's first-quarter earnings for fiscal 2021 increased by 958% compared to the same period last year, reflecting earnings per share of US\$2.01. The company's quarterly earnings per share were over double the expected analyst estimates of US\$0.75 per share. The company's total revenue for the quarter rose by 110% compared to the same period last year.

There are critical voices that still feel inclined towards a decline in Shopify's sales growth rate in the coming quarters. However, Shopify has a history of beating analyst expectations, and it could continue that trend. Most businesses that joined the company's e-commerce platform forced due to the pandemic might continue working with Shopify even after a return to relative normalcy.

The features and benefits offered by Shopify could continue keeping its platform in high demand among merchants and businesses of all kinds. Despite the sudden rise in Shopify's share prices, I think it could present a [substantial long-term upside](#). I would advise establishing a position in the company if you haven't already.

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