



Shopify (TSX:SHOP) at \$2,000: Can It Go Higher?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) stock has been on a monster rally lately. Set to release earnings on July 28, hopes are running high that Canada's biggest company will deliver another blowout quarter. Last week, the entire tech sector went on a huge rally after **Twitter** released an earnings report that beat its own guidance as well as analyst estimates. Since then, tech stocks of all kinds have been rising.

This week is going to be a big one for tech stocks. We've got several of the big-name FAANG companies reporting earnings, along with smaller players like SHOP. If SHOP beats and the other big tech names do well, then Shopify could rally even further beyond its current price—which is well in excess of \$2,000.

Earnings coming up this week

Shopify's earnings are set to be released this week. Analysts are expecting US\$0.97 per share and have a US\$1,607 price target on the stock. In its most recent quarter, Shopify delivered \$2 per share, but that was heavily influenced by unrealized gains on **Affirm** shares. That's a non-cash gain that doesn't impact cash flows.

Nobody is expecting any big gains like that this quarter, so it's quite likely that EPS for Q2 will be lower than for Q1. In fact, earnings could easily miss; those same Affirm shares that caused the huge Q1 beat declined in Q2.

What to look out for

When Shopify reports its Q2 earnings, investors will want to be on the lookout for a few key things:

- **Revenue growth:** Shopify grew revenue at 90% or higher in *all* of the previous four quarters. That's going to be a hard act to follow, and growth is likely to decelerate at least somewhat. The extent of the deceleration will partially determine whether SHOP can keep climbing after hitting

\$2,000.

- **Earnings:** SHOP is likely to see solid revenue growth in Q2 but earnings may not be as strong. They'll be impacted by non-cash charges like the aforementioned Affirm investment, which is likely to have a negative impact on this period.
- **Pandemic impact:** Shopify actually [benefitted from the COVID-19 pandemic](#) rather than being harmed by it, because the lockdowns led to a surge in online shopping. Shopify [provides infrastructure for online stores](#), so naturally, its revenue spiked when people turned to online stores.
- This is the reason why SHOP was able to crank out such blockbuster earnings for 2020 and for Q1 2021. If the pandemic's current downward trajectory continues, we may see people shopping more in person and less online. So pay close attention to Shopify's GTV and other raw sales numbers. This may ultimately have more long-term relevance than the company's EPS for the quarter.

Foolish takeaway

It's been an incredible 12 months for Shopify. After four consecutive quarters of blockbuster earnings, the stock just keeps going up, with no end in sight. Now, at \$2,068, it's near an all-time-high. Ultimately, nobody knows how high this plane will fly. But one thing is certain: this upcoming earnings release will be very, very impactful.

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