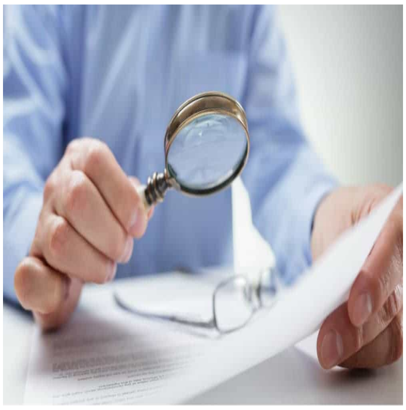

3 Key Takeaways From Shopify’s Q2 Results

Description

Canada’s e-commerce giant **Shopify** (TSX:SHOP)(NYSE:SHOP) announced its second-quarter of 2021 results last week. It reported sales of US$1.12 billion and adjusted earnings per share of US$2.24. Wall Street forecast the company to report revenue of US$1.04 billion and earnings of US$0.96 per share in the quarter ended in June.

Despite Shopify’s earnings and revenue beat, the stock is down 10% in the last week. It has, however, surged 34% in 2021 and gained close to 50% in the last 12 months.

Let’s see some of the key financial metrics for Shopify in Q2.

Gross merchandise volume rises 40%

Shopify’s GMV, or gross merchandise volume, rose 40% year over year to $42.2 billion in Q2 of 2021. The GMV is basically the total amount spent on the Shopify platform. Further, gross payments volume rose 48% to $20.3 billion accounting for 48% of GMV processed in Q2. In the prior-year quarter, the gross payments volume accounted for 45% of GMV and stood at $13.4 billion.

The impressive rise in GMV and GPV indicates the shift towards online shopping continues to gain pace, even as economic restrictions are relaxed in several countries.

Expansion in bottom line

In Q2, Shopify’s adjusted operating income surged 16% to US$236.8 million while its net income stood at US$284.6 million. Shopify’s operating margin expanded at a slower rate compared to sales as the company increased marketing expenses in the June quarter. However, its adjusted earnings more than doubled from $1.05 per share in Q2 of 2020.

Shopify expects growth to decelerate

Shopify confirmed its outlook for 2021 is consistent with its forecasts in February. It expects the reopening of economies to shift consumer spending towards offline retail going forward as e-commerce growth will normalize. While Shopify is optimistic about robust growth in 2021, it will be lower than its revenue growth in 2020.

In its earnings call, the company CEO Tobias Lütke explained, "Due to the sustained momentum of digital commerce trends in the first half of 2021 combined with the U.S. stimulus distributed in March and April of 2021, Shopify generated higher-than-anticipated revenue while incurring lower-than-planned operating expenses as a percent of revenue in the first half of 2021. As a result, we now expect full-year 2021 adjusted operating income to be above the level we achieved in 2020."

What's next for investors?

Despite Shopify's conservative guidance, Wall Street expects sales to rise over 50% in 2021 to surpass US$4.5 billion and by 33% in 2022 to US$6 billion. It's quite evident that the online giant is firing on all cylinders and benefits from a rapidly expanding addressable market.

Shopify continues to expand its suite of digital solutions and is now entering the payment-processing business with Shop Pay, a product that provides small businesses with loans. Further, Shopify Audiences is a data exchange network that leverages conversion data on its platform providing merchants access to a custom audience for a particular product.

Shopify's high valuation is supported by solid growth metrics, making it one of the top stocks on the TSX for long-term growth investors.

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Author
araghunath