



Should You Buy Shopify After Earnings?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) has made shareholders a fortune since making its debut on the **S&P/TSX Composite Index** in 2015. The Ottawa-based company provides a [commerce platform](#) and services in Canada and around the world. Its shares have climbed 35% in 2021 as of close on August 18. Today, I want to discuss whether Shopify is worth buying after the release of its second-quarter 2021 earnings. Let's dive in.

Why investors should invest in the e-commerce space

The e-commerce space has enjoyed huge growth over the past decade. Coming into the 2020s, there was considerable optimism surrounding Shopify and other companies with exposure to this sector. The COVID-19 pandemic arrived and shook the global economy. Shopify and its peers were fortunate, as the pandemic accelerated the growth of e-commerce around the world.

In April, the Adobe Digital Economy Index reported that e-commerce sales were up big in the early months of 2021. It projected that global e-commerce sales would reach \$4.2 trillion this year. Consumers in the United States would make up nearly one-quarter of those sales. This impressive growth trajectory is the core reason I'd [suggested](#) that investors should get in on this space in late 2020.

How does Shopify look after its second-quarter earnings?

Shopify unveiled its second-quarter 2021 results on July 28. The company turned out another fantastic performance on the back of the booming e-commerce space. Total revenue climbed 57% year over year to \$1.11 billion. Meanwhile, subscription solutions revenue grew 70% to \$334 million. Merchant solutions revenue jumped 52% to \$785 million.

Gross merchandise volume (GMV) hit \$42.2 billion in Q2 2021. This was up 40% from the previous year. Moreover, gross payments volume (GPV) climbed 43% to \$20.3 billion. The company is geared up for superior growth going forward. Investors should mark the Black Friday-Cyber Monday holiday

shopping weekend on their calendar. In 2020, the pandemic fueled record sales over the weekend. Shopify's results also saw a massive boost.

The company reported gross profit of \$620 million — up 66% from the prior year. Adjusted operating income more than doubled to \$236 million, or 21% of revenue, over \$113 million, or 16% of revenue, in the second quarter of 2020. Meanwhile, adjusted net income was reported at \$284 million, or \$2.24 per diluted share — up from adjusted net income of \$129 million, or \$1.05 per diluted share in the previous year. Better yet, the company boasted \$7.76 billion in cash at the end of the first half of 2021.

Shopify Capital continued to expand its operations in the second quarter. Merchants in the U.S., United Kingdom, and Canada received a record \$363 million in merchant cash advances and loans from Shopify Capital in Q2 2021.

Should you buy the top tech stock today?

Back in June, I'd predicted that Shopify would soar to new heights on the back of the [e-commerce boom](#). Its earnings have continued to impress. However, the stock's gains have been muted in 2021 compared to previous years. This stock is still worth snatching up today.

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