



Shopify Stock Continued to Beat the Market in August 2021

Description

Shares of Canadian tech giant **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) rose 3.71% in the month of August, outpacing broader markets such as the S&P 500 and TSX, which gained 3.03% and 1.96% respectively in the last month. Shopify stock gained over 4% in market value on Aug. 24, after [the company disclosed](#) it would partner with social media platform TikTok to launch in-app shopping features.

The recently announced collaboration will allow Shopify merchants to add a shopping tab under their TikTok account profiles, which will be linked to their respective online stores to complete the purchase.

TikTok executive Blake Chandlee explained, “Our community has transformed shopping into an experience that’s rooted in discovery, connection, and entertainment, creating unparalleled opportunities for brands to capture consumers’ attention. TikTok is uniquely placed at the center of content and commerce, and these new solutions make it even easier for businesses of all sizes to create engaging content that drives consumers directly to the digital point of purchase.”

The partnership with TikTok may be a key revenue driver for Shopify. A report on eMarketer forecasts social media app sales to touch US\$36 billion by the end of 2021 — year-over-year growth of 34.8%. Shopify has not only enabled a new in-app shopping experience; it has also provided a tool for product discovery on one of the fastest-growing social media platforms in the world.

At the time of writing, Shopify is valued at a market cap of \$242 billion, making it Canada’s largest company on the TSX. But here’s why the stock is positioned to gain momentum in 2021 and beyond.

Shopify continues to defy expectations

Shopify stock went public back in 2015 and has returned a stellar 6,130% to investors in just over six years. The company is already part of a rapidly expanding addressable market and the shift towards online shopping accelerated amid COVID-19 allowing Shopify to accelerate revenue growth in 2020.

However, Shopify continues to post robust quarterly growth numbers. In the second quarter of 2021, its

revenue stood at US\$1.12 billion, which was 57% higher than the prior-year period. While subscription sales rose 70% to US\$334 million, merchant solutions revenue surged 52% to US\$785 million. It also reported an adjusted net income of US\$284.6 million, or US\$2.24 per share. Comparatively, Wall Street forecasted adjusted earnings per share of US\$0.97 for Shopify in Q2.

Shopify's gross merchandise volume of GMV, which is basically the amount spent on the company's platform, rose 40% to US\$42.2 billion. Its gross payments volume was up 45% to US\$20.3 billion while operating income grew 16% to US\$236.8 million.

What's next for SHOP stock?

We can see that Shopify is firing on all cylinders, and while top-line growth is bound to decelerate, analysts expect sales to rise by 58.2% to US\$4.63 billion in 2021 and by 34% to US\$6.21 billion in 2022.

It has entered the payment-processing vertical via Shop Pay, while Shop Capital provides loans to small business owners. It can also leverage Shopify Audiences, which is a data exchange network to provide a customized audience base for a particular business, opening doors to digital advertising.

Shopify stock might seem expensive given its lofty valuation. But it remains a [top bet for growth investors](#) looking to beat the market.

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Date

2025/09/12

Date Created

2021/09/08

Author

araghunath

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