Morgan Stanley | RESEARCH

IDEA

October 27, 2026 04:01 AM GMT

Shopify Inc | North America

3Q26 Preview – Delivering Against a Higher Bar

We expect Shopify to deliver against a higher 3Q bar, with AI and fragmented consumer discovery channels adding urgency to consolidating on the platform. A strong holiday guide should reinforce the runway for ~30% growth into FY27, with margin expansion supporting further estimate upside potential. Remain OW.

Expecting Continued Growth and Leverage Against Higher Expectations. We remain OW Shopify into 3Q, with continued share gains and AI-driven improvements in merchant performance supporting further estimate upside potential despite a higher bar following the rally into the print. Importantly, 2Q demonstrated that Shopify's investments in AI need not come at the expense of profitability, as revenue upside flowed through to gross profit and expense discipline supported still-faster FCF growth. **We expect that profitable-growth story to continue**, with Sidekick helping merchants sell more and Shopify participating in that success through durable Payments monetization. Moreover, increasing fragmentation across consumer discovery channels (including horizontal consumer agents) strengthens the case for merchants to consolidate on Shopify, with agentic readiness adding urgency to migrations well before "agent-originated" orders become material to estimates. ***Against a supportive spending backdrop, we see ~33% GMV growth and ~31–32% gross profit growth as the bar in 3Q, with a strong, above-consensus holiday quarter outlook (4Q) providing scope for further gross profit acceleration on a beat-adjusted basis.*** Beyond the holiday quarter, we see AI reinforcing an already long runway for enterprise, international, and offline share gains, giving Shopify multiple drivers to sustain ~30% GMV growth into FY27 (vs Street's moderation toward ~mid 20s). A strong print and guide should begin building conviction in that more durable growth trajectory, extending the revision opportunity and keeping us onboard despite the higher multiple. **OW.**

Resilient Consumer Spending and Durable Share Gains Support GMV Upside. We expect a resilient consumer and continued execution across Shopify's core growth initiatives to support another strong quarter. Retail and non-store sales returned to growth in August and September following July weakness, with positive average monthly growth through 3Q reinforcing the durability of spending (Exhibit 1). Importantly, Shopify's growth is supported by both merchant acquisition and expansion, with relatively balanced contributions from new merchants and same-store sales in 2Q, while International and Offline GMV grew 37% and 32%, respectively. Our latest checks reinforce our conviction in Shopify's long share-gain runway, with resilient merchant sales and a growing enterprise opportunity underpinning the longer-term outlook despite just ~in-line with plan agency activity. Importantly, lower total cost of ownership and improving product depth continue to

Adam Wood
Equity Analyst
Adam.Wood@morganstanley.com +1 212 761-3656

Kathleen A Keyser
Research Associate
Katie.Keyser@morganstanley.com +1 212 761-0518

Shopify Inc (SHOP.O, SHOP US)

Software | United States of America

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	**$192.00**
Shr price, close (Oct 26, 2026)	$168.18
Mkt cap, curr (mm)	$218,902
52-Week Range	$182.19-94.00

Fiscal Year Ending	**12/25**	**12/26e**	**12/27e**	**12/28e**
EPS ($)**	1.38	1.82	2.23	2.73
ModelWare EPS ($)	1.15	1.13	1.71	2.19

framework
** = Based on consensus methodology

investors should be aware that th

Research as only a single factor i
decision.

**For analyst certification and oth
refer to the Disclosure Section, l
report.**



drive migrations from Adobe, Salesforce, and custom-built platforms, while larger enterprise brands and previously underserved verticals broaden the opportunity to sustain merchant acquisition into FY27 and beyond. AI further strengthens that proposition, with Sidekick usage expanding into operational workflows and early evidence of shorter implementation timelines helping approved projects reach go-live sooner, supporting the core growth opportunity well before agentic orders become a material contributor. ***We see that breadth, combined with the long runway for enterprise migrations, sustaining share gains against a healthy demand backdrop and supporting buy-side expectations for ~33% GMV growth in 3Q, ahead of Street at ~30%.***

Please reach out for a detailed run-down of our 3Q Checks with two Shopify Platinum Partners.

Key Focuses into the 3Q26 Print:

1) Commerce Fragmentation Strengthens the Case to Consolidate on Shopify. We expect agentic readiness to accelerate enterprise migrations, extending an already strong upmarket growth story for Shopify. As consumer discovery fragments across search, social, marketplaces, and agents, we think merchants have more reason to consolidate catalog, inventory, checkout, and order management on Shopify rather than manage each channel independently. As we previously wrote (see *Shopify: Still No Buyers' Remorse - Assessing Three Agentic Debates Post Muse*), Shopify monetizes the transaction rather than the impression, allowing it to benefit without owning any "winning" consumer interface. Importantly, 2Q already demonstrated traction with more complex merchants, with $25M+ GMV merchants representing the fastest-growing size cohort and larger retailers leading Offline growth. AI is also beginning to expand merchant reach, with traffic and orders from AI channels both tripling, while the rate of new-buyer orders was nearly twice that of other channels. Encouragingly, our checks highlighted enterprise implementation timelines shortening from ~6–7 months to ~5–5.5 months through AI-assisted testing, providing an early proof point that AI can bring merchant volume onto Shopify faster once projects are approved. We see these early results strengthening the commercial case for merchants to prepare for agentic commerce, even before the channel becomes material to performance. We think shopping will be a leading use case for consumer agents, and this adds to that urgency. Into the print, continued momentum in enterprise wins and faster go-lives, particularly where merchants cite agentic capabilities in their platform decisions, would likely make us incrementally more constructive on the durability of Shopify's share gains. A larger contribution from those deployments, exemplified by further Payments penetration gains from 68% in 2Q, would demonstrate that the stronger competitive proposition is reaching monetization.

2) A Strong Holiday Quarter Guide Can Extend the Revision Cycle Into FY27. We see a resilient consumer and continued Shopify share gains supporting buy-side expectations for 4Q revenue growth guidance in the low 30s YoY and gross profit dollar growth guidance in the high 20s to low 30s YoY. A low-30s revenue guide would clear Street at ~30%, though we put greater weight on the gross profit outlook against consensus at ~28%. Importantly, for shares to find incremental

support on results, we would expect investors to want to see scope for gross profit dollar acceleration on a beat-adjusted basis in 4Q, building on the ~31–32% buy-side bar in 3Q and demonstrating that stronger merchant activity is translating into profitable growth despite higher inference and payments costs. We think the first blush holiday spending backdrop reads supportive of that outcome, with Adobe forecasting record US online sales and checks pointing to strong merchant confidence in their Holiday season outlooks. Our initial BFCM math holds Shopify's growth at ~27% YoY and its share of quarterly GMV at ~11.8%, implying 4Q GMV slightly below Street (Exhibit 2). However, continued merchant acquisition and enterprise deployments could drive upside to that baseline, especially as we have seen BFCM sales comprise a smaller portion of 4Q GMV over the past few years. More importantly, we think a strong holiday outlook underpinned by scope for accelerating gross profit growth would give investors a firmer basis to underwrite sustained ~30% GMV growth into FY27. ***Net, greater conviction in that growth durability, alongside continued operating leverage, extends the revision opportunity and should support shares beyond just one quarterly beat.***

3) Expecting Operating and FCF Margin Expansion Despite Gross Margin Pressure. While investors are focused on the potential for Shopify to raise subscription-tier prices to offset inference costs, we think Payments already gives the company a direct way to monetize the better merchant performance those investments enable. Sidekick's costs weigh on Subscription Solutions margins, but helping merchants improve conversion and sell more creates incremental volume Shopify can monetize without necessarily requiring a separate AI fee / price increases. Our latest checks reinforce the durability of that monetization, with merchants continuing to favor Shopify Payments for its integrated functionality and convenience despite instances of more complex enterprise pricing. We expect stronger merchant activity and deeper Payments penetration to sustain gross profit dollar growth that, alongside expense discipline, supports expanding operating and FCF margins. ***Into the print, delivery against our 3Q expectations and a 4Q guide supporting gross profit acceleration on a beat-adjusted basis would make operating and FCF margins largely in line with Street a solid outcome.*** *Stronger growth would still drive upside potential to operating income and FCF dollars, while execution toward ~100+ bps of annual FCF margin expansion would reinforce that Shopify can accelerate growth profitably.*

Profitable Growth Warrants the Premium. At ~60x EV/CY27 FCF, SHOP shares retain a premium to Large-Cap Software (~trading 36x on average). However, when growth-adjusted, the stock trades directly in line with the broader group (at ~1.77x), screening attractive, in our view, given its durable share gains and expanding operating and FCF margins. Moreover, we argue that the relative valuation remains digestible against select AI-related names (NET, CRWD, PANW, DDOG, for example) that have outperformed the sector materially YTD. Greater conviction in sustained ~30% growth into FY27, alongside continued margin expansion, should support further upward revisions, leaving durability of cash flow growth to drive shares rather than requiring another leg of multiple expansion. **Reiterate OW.**

NET and DDOG are covered by Sanjit Singh. CRWD and PANW are covered by Meta Marshall.

Exhibit 1: Consumer Spending Remained Durable Throughout 3Q

	Changes (m/m) in Retail Control and its components								
	Retail Control	Nonstore Retailers	Furniture, Home Furn, Elec/App	Food & Beve Stores	Health & Pers Care Stores	Clthg & Acc Stores	Sptg Gds, Hobby, Bk & Mus Stores	General Merch Stores	Misc Stores Retailers
1Q'26Avg	0.4%	1.0%	0.8%	0.0%	-1.7%	0.7%	1.1%	0.7%	0.7%
2Q'26Avg	0.5%	0.9%	0.1%	0.2%	0.3%	-0.1%	0.9%	0.1%	1.5%
3Q'26Avg	0.3%	0.2%	0.2%	-0.1%	0.6%	0.6%	0.2%	0.3%	1.8%
Jul'26	-0.2%	-1.4%	-0.1%	-0.2%	0.8%	1.3%	-0.5%	0.4%	0.0%
Aug'26	1.2%	2.0%	1.0%	0.2%	1.2%	0.6%	1.0%	0.8%	3.6%
Sep'26	0.1%	0.3%	1.0%	0.4%	0.7%	0.0%	-0.5%	-0.1%	-3.0%

Exhibit 2: Initial BFCM Math Points to 4Q Implied GMV Slightly Shy of Consensus, Though Better than Feared Macro and Further Share Gains Could Inflect BFCM & Actual 4Q Sales Higher

	2019	2020	2021	2022	2023	2024	2025	2026
Black Friday/Cyber Monday Sales	2,900	$5,100	$6,300	$7,500	$9,300	$11,500	$14,600	18,536
y/y		76%	23%	19%	24%	24%	27%	27%
4Q GMV (Implied For 4Q26)	20,631	$41,139	$54,057	$60,958	$75,093	$94,460	$123,841	$157,224
y/y	47%	99%	31%	13%	23%	26%	31%	27%
% of 4Q GMV	14.1%	12.4%	11.7%	12.3%	12.4%	12.2%	11.8%	11.8%
Street 4Q GMV								$159,047
y/y								28%
% Delta Implied								***-1%***

Exhibit 3: SHOP Estimates: MS vs. Consensus

SHOP	3Q26e		4Q26e		FY26e		FY27e	
	MS	Cons.	MS	Cons.	MS	Cons.	MS	Cons.
Total Revenue	$3,710.8	$3,744.3	$4,698.4	$4,762.4	$15,162.1	$15,259.7	$18,655.0	$19,245.3
Growth, YoY	*30.5%*	*31.7%*	*28.0%*	*29.7%*	*31.2%*	*32.1%*	*23.0%*	*26.1%*
Subscription Revenue	$855.7	$849.3	$939.6	$930.9	$3,347.2	$3,332.2	$4,048.2	$3,956.7
Growth, YoY	*22.4%*	*21.5%*	*20.9%*	*19.8%*	*21.6%*	*21.1%*	*20.9%*	*18.7%*
Merchants Solution Revenue	$2,855.1	$2,895.0	$3,758.8	$3,830.8	$11,814.9	$11,926.8	$14,606.8	$15,246.6
Growth, YoY	*33.1%*	*35.0%*	*29.8%*	*32.3%*	*34.2%*	*35.5%*	*23.6%*	*27.8%*
GMV	$117,960.7	$119,897.4	$155,296.6	$159,047.3	$489,567.3	$495,257.3	$600,589.7	$620,307.2
Growth, YoY	*28.2%*	*30.3%*	*25.4%*	*28.4%*	*29.4%*	*30.9%*	*22.7%*	*25.2%*
GMV Take rate	*2.42%*	*2.41%*	*2.42%*	*2.41%*	*2.41%*	*2.41%*	*2.43%*	*2.46%*
Op. Income	$668.0	$675.2	$936.8	$991.3	$2,761.8	$2,812.1	$3,446.3	$3,746.0
Op. Margin	*18.0%*	*18.0%*	*19.9%*	*20.8%*	*18.2%*	*18.4%*	*18.5%*	*19.5%*

Exhibit 4: SHOP Beat vs. Consensus Table

% Beat vs. Consensus										
SHOP	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	4 Qtr. Avg.	8 Qtr. Avg.
Total Revenue Beat	1.9%	3.0%	1.1%	5.2%	3.1%	2.0%	2.5%	3.6%	2.8%	2.8%
Non-GAAP Gross profit	1.7%	1.9%	-0.2%	4.3%	2.4%	1.2%	3.4%	3.8%	2.7%	2.3%
Non-GAAP Op. Margin Beat	259.6bps	50.4bps	-6.6bps	155.0bps	56.9bps	103.8bps	102.8bps	88.2bps	87.9bps	101.3bps
GMV Beat	2.8%	1.7%	-0.2%	7.6%	3.2%	2.0%	2.1%	3.2%	2.6%	2.8%
Non-GAAP EPS Beat	$0.09	$0.01	$0.00	$0.06	-$0.01	-$0.04	$0.02	$0.02	$0.00	$0.02

Exhibit 5: Our Q3 GMV Growth Estimate Implies QoQ Seasonality Below the 3-Year Historical Average

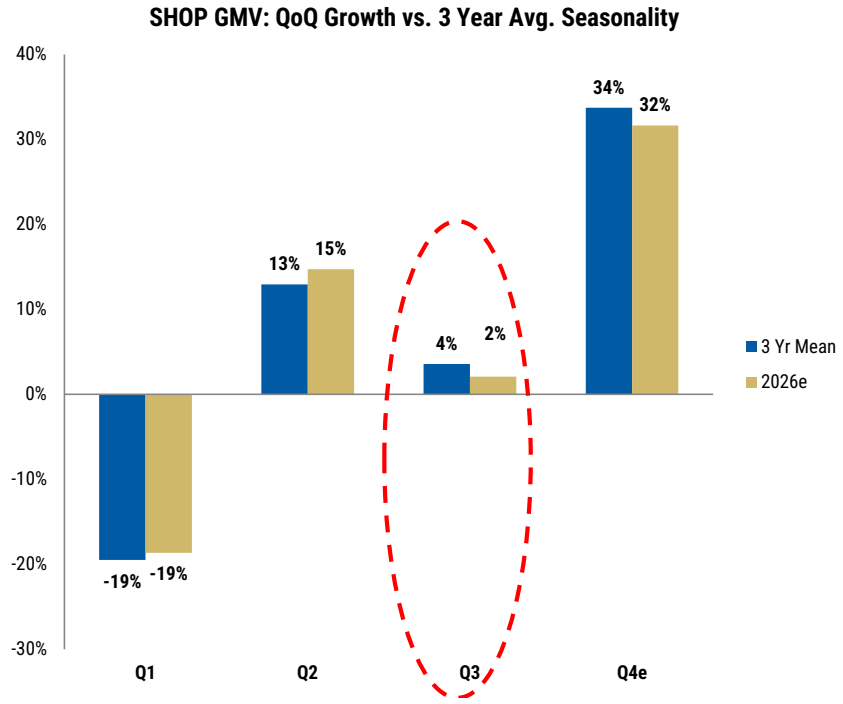


Exhibit 6: SHOP Job Postings Remain Far Off Hiring Peak in Early 2022, Indicative of Ongoing Headcount Diligence



AlphaSignals Earnings Preview

Focus KPI	Focus KPI Surprise	Likely impact to consensus EPS*
Shopify Inc SHOP.O		
Gross Merchandise Volume (GMV)	↑ Likely upside surprise	↑ Modest revision higher

*Likely impact to consensus EPS is for the next 12 months

Valuation Methodology and Risks

Shopify Inc (SHOP.O)

Derived from base case. Revenue grows at 23% CAGR to reach $87B in 2035. Lower GM % but opex efficiency support a 30% OM to generate ~$23B of FCF. 30x CY35 EV/FCF, or 1.3x EV/F/G and 10.3% WACC support $192 price target.

Risks to Upside

- Better Traction With Merchant Solutions Outside of Payments
- Sustained GMV and Merchant Growth Internationally
- Operating Margins Continue to Expand Meaningfully Post-Divestiture of Logistics

Risks to Downside

- International expansion proves difficult and costly
- Price competition in solutions like Payments, SFN, and Installments builds
- Economic downturn leads to slower GMV growth.