



## Forget Marijuana: Shopify (TSX:SHOP) Is Your Golden Ticket to Retirement Riches

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock keeps defying the odds. The company's latest quarter was rocket fuel for the stock, causing a big post-earnings pop to go with a handful of triple-digit green moves in the days that followed. The stock is up a whopping 17% for the week, and as the stock goes parabolic after spending over a year in consolidation mode, is it time to get some skin in the game before you miss out on more big gains? Or has most of the easy money already been made?

### The profitable quarter that made everybody excited

For the first quarter, Shopify posted applaud-worthy international growth numbers that somehow managed to exceed the higher-end expectations of management. Revenues for the quarter were clocked in at \$320 million, up 50% year over year, and beating management's high-end guidance of \$310 million. On the top-line front, Shopify gets an A+ with subscription sales soaring an astounding 40% on a year-over-year basis.

The number of Shopify Plus subscribers is also swelling, comforting many investors who were startled over the short-seller concerns over the small size of the Plus subscriber base relative to non-Plus. Shopify's larger, enterprise subscriber base is indeed swelling, and as the company signs on more big-league players, subscriber churn will become less of an issue during times of economic hardship.

To add even more icing on top of what was a stellar quarter, Shopify's international business has been picking up a considerable amount of traction. The longer-term trend of slowing top-line growth was a huge concern for many, but given the remarkable performance in untapped international markets, Shopify's growth ceiling still appears to have been raised. And that has many growth-savvy investors licking their chops because Shopify may still be in the early innings of its growth story.

### So, should you buy?

In a [prior piece](#), I'd noted that Shopify was a top tech stock that was [poised to soar](#) in 2019. It's not just

one of the most innovative companies in Canada; it's the most innovative in its niche (small- and medium-sized businesses), and as its enterprise business continues to grow in conjunction with its international subscriber base, Shopify could realistically continue to post multi-bagger gains over the next three years.

After the incredible Q1 quarter, it's hard to find any dents in the armour, but the frothy valuation remains the only thing that has me (and many other value-conscious investors) on the sidelines. The stock trades at nearly 24 times sales and 455 times next year's expected earnings! That's about as expensive as a stock can get outside the crazy world of marijuana!

With that in mind, you'd better be prepared for double-digit moves in the red over the near term if you're looking to initiate a position here. The stock could easily fall back to \$250 without a moment's notice, so it's probably not a good idea to bet the retirement fund on the name.

On the flip side, I doubt Shopify stock will ever trade at a multiple that'd be anywhere close to a level that'd satisfy value-conscious investors. With the stock at nearly 24 times sales though, I'd strongly urge all investors to wait for a pullback such that the stock returns to around 20 times sales before getting some skin the game. At \$355, I'd say the near-term window to buy Shopify has now closed.

Stay hungry. Stay Foolish.

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