



Shopify (TSX:SHOP) Is Holding Up Remarkably Well: Time to Sell?

Description

With the markets displaying continued weakness today, we are seeing many losses across the board.

The **S&P/TSX Composite Index** (TSX:^OSPTX) is down 3.3% in the last month, and down 3.8% from its highs, in a move that has not been unexpected but notoriously difficult to time.

What is interesting to note is that leading [tech stock](#), **Shopify Inc** ([TSX:SHOP](#)), which has hit new highs recently, has emerged unscathed in this turmoil. In the last month, Shopify stock is up 7.7%, blowing through highs and through analysts expectations.

In the latest quarter, everything came in better than expected, with subscription revenue, services revenue, and gross profit all coming in ahead of expectations and thus justifying crazy [high valuation](#) levels to a certain extent. For now.

But what would happen in the opposite scenario? This is something we should consider because the downside is huge. Just look at what happened with priced for perfection stock Canada Goose Holdings Inc., which was down approximately 20% in one day last week, to see the devastation that can occur in this situation.

Shopify is trading at a price to sales multiple of 26 times, and a price earnings multiple in the hundreds — so high that it doesn't seem meaningful.

With Shopify stock pricing in much of the good news, the risks that are potential headwinds for the company appear that much more threatening.

The competitive environment for e-commerce platforms is intensifying, and although Shopify has built itself into a leader in the space, this is a potential headwind to watch.

Competition from the likes of Facebook's Instagram and former partner Mailchimp, appears to be building steam. As the competitive environment intensifies and these companies attempt to capture part of Shopify's pie, Shopify stock will come under pressure. It seems like the assumptions out there are predicated on Shopify maintaining its position with limited competitive threats, and I do not think

that is realistic.

Final thoughts

The rule of investing is simple. The more risk you take, the higher your potential return. By the same token, the more risk, the higher your potential losses. So to a large extent, whether you participate in these types of stocks really comes down to your own risk tolerance levels.

At the end of the day, in my view, investing is about protecting yourself from downside as much as it is about benefiting from upside.

Consider this and adjust your portfolios accordingly because if and when market sentiment weakens, downside to the highest valuation stocks like Shopify will be huge.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date

2025/09/18

Date Created

2019/06/01

Author

karenjennifer

default watermark

default watermark