# Shopify (TSX:SHOP) Just Soared 62%: Should You Buy the Breakout?

### Description

Don't look now, but **Shopify** (TSX:SHOP)(NYSE:SHOP) stock just surged over 50% in April and is now up a whopping 62% from its March bottom. Shares of the up-and-coming e-commerce kingpin broke out to new all-time highs on Thursday, after posting one of the sharpest recoveries from the coronavirus-driven sell-off.



## Shopify stock: A lifeline for SMB retailers amid the coronavirus pandemic

With many small- and medium-sized (SMB) retailers closing their doors amid the coronavirus pandemic, e-commerce has become the only way to generate revenue. Through the eyes of financially distressed SMB firms, a firm like Shopify is seen as a lifeline through these dark times.

Sure, newfound e-commerce sales won't be nearly enough to offset sales at certain brick-and-mortar locations, but they may just be enough to keep the lights on until the coronavirus nightmare is over for firms that would have otherwise closed shop permanently.

## Shopify stock: it may *never* trade at a valuation that's anything short of ridiculous

I didn't think the coronavirus marked the beginning of the end of Shopify's glorious rally. I saw it as a chance for investors to get a slight discount on a name that rightfully deserved to trade at an even higher pie-in-the-sky multiple because of its off-the-charts growth prospects, and, most importantly, the exceptional managers running the show.

In a prior piece, I'd urged investors to buy Shopify stock on the dip, even though the stock still appeared ridiculously expensive at +30 times sales.

"[Shopify is] an expensive stock, but it's expensive for a very good reason." I said. "While a 38 times sales multiple is above and beyond what most would consider ridiculous, so too was the 20 times sales multiple that preceded the stock's last 90% peak-to-trough run. In retrospect, you could say a seemingly absurd multiple as 20 times sales, which would be extremely overvalued for most other stocks, was undervaluing the white-hot shares of Shopify … Like Musk, Lütke has an incredible vision for his firm and the smarts to defy the odds, disrupt its market, and form a moat around it."

## Shopify stock: a spec tech play that may not be as expensive as it seems

Shopify stock is a "spec tech" play that isn't for the faint of heart. It's tough to form an accurate gauge of the stock's intrinsic value given the magnitude of growth that the firm is capable of sustaining over the next decade. So, if you honestly see yourself buying more shares should their price get slashed in half, only then should you venture into one of the hottest stocks in the country while it sits at all-time highs.

Management gave somewhat conservative guidance after the release of its blowout fourth-quarter numbers given all the uncertainties in today's coronavirus-plagued economy. As such, the bar may prove to be too low, as I see Shopify as one of few companies out there that can pole-vault over expectations when Q1 2020 numbers come due on May 6.



## Foolish takeaway

Shopify stock's lofty valuation has kept many value-conscious investors on the sidelines over the years, causing them to miss out on an absurd amount of gains. Shopify has continued to defy the odds and has come roaring back every single setback.

Even at these heights, with shares trading at 35 times sales, the stock looks worthy of nibbling on for long-term investors who are itching to get some skin in the game.

The coronavirus crisis is likely to act as a digitization accelerant for SMB firms that have been putting it off over the years. While it's tough to form an accurate gauge of Shopify stock's intrinsic value after its recent run-up, I think young investors ought to consider nibbling after on the latest breakout.

Stay hungry. Stay Foolish.

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