



## Sell Shopify (TSX:SHOP) Stock Now!

### Description

Canada's flagship technology company **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has had an unprecedented run. The stock is up, despite the COVID-19 pandemic. As the broader stock market collapsed, Shopify stock is up 80% over the past three weeks and a whopping 112% over the past six months.

The e-commerce giant is now the third-largest publicly traded stock in the country. Shopify stock currently trades at \$830. The market capitalization is \$94.5 billion. This pinnacle, I believe, is the perfect time for long-term shareholders to reconsider their position. It might be an ideal opportunity to book some profits.

### Shopify stock valuation

Plenty of investors are [convinced Shopify is the next Amazon](#). After all, it's now the second-largest e-commerce company in the world with over a million merchants and millions of active users.

However, the company's valuation hasn't just accounted for rapid growth. It exceeds it. Shopify stock currently trades for a jaw-dropping 60 times trailing sales. Leverage adjusted free cash flow over the past year was \$85 million. This means the market value is an unbelievable *1,100 times higher than annual cash flow*.

In short, Shopify is priced to perfection. Can it live up to investors' high expectations?

### The road ahead

There's no doubt online sales have surged as the nation self-isolates. With retail stores and malls shut, households have no option but to get their shopping fix from Shopify's merchants. As a result, Shopify could experience record-high traffic and gross merchant value across its platform.

However, this boost is already priced into the stock price. Investors seem to be overlooking the road ahead. Canada's economy faces the dual challenge of the ongoing shutdown and the collapse in the crude oil market. Small businesses have shut, and people have lost their jobs in record numbers.

These conditions inevitably lead to a cut back in discretionary spending.

In other words, Shopify could face a demand shock from people cutting back on frivolous online shopping. Meanwhile, it also faces supply challenges. Many of the items sold on Shopify's platform are sourced from China. Drop-shipping cheap goods from China isn't as easy when global trade is frozen. Warehouse workers and delivery staff also face immense pressure getting the products to doorsteps.

On the corporate side, I believe Shopify faces challenges on the money it has borrowed and the money it has lent out. The small business lending operation could face higher delinquencies as the economy falters.

Meanwhile, Shopify's long-term debt, which is worth 150% of equity, could become more expensive to service, as the corporate bond market adjusts. These issues should ultimately be reflected in Shopify's stock price.

## Foolish takeaway

I genuinely believe Shopify is one of the finest companies in Canada. It's an innovative tech behemoth with plenty of growth potential. If you've been a long-term shareholder, congratulations. The stock has been one of the few winners this year.

However, this might be the perfect time to book some profits. Shopify stock is priced to perfection, and perfection is far from certain in 2020. Take your capital gains and run before reality kicks in.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:SHOP (Shopify Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

### Category

1. Investing
2. Tech Stocks

### Date

2025/09/17

**Date Created**

2020/04/22

**Author**

vraisinghani

default watermark

default watermark