



Shopify (TSX:SHOP) Soars Past \$1,000 to Become Canada's Most Valuable Company: Time to Buy?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) briefly leapfrogged **Royal Bank of Canada** for the title of Canada's most valuable company. With a market cap of around \$121 billion, Shopify has continued to defy the odds.

The stock has more than doubled (125%) off its March bottoms. That was [a time when I urged investors to load up on the stock](#) on the dip.

Shopify stock skyrockets past \$1,000 amid the coronavirus pandemic

The e-commerce kingpin was undoubtedly seen as some sort of lifeline for many small- and medium-sized businesses (SMBs) suffering from imploding sales in the coronavirus-induced lockdown.

Many late-to-the-party bricks-and-mortar SMB firms needed to adapt quickly with an e-commerce platform or risk getting wiped out. It was a dire situation for SMBs to be in. But the whole ordeal proved to be a subscriber growth spark for Shopify. Many previously reluctant SMBs finally jumped on the Shopify bandwagon. They needed to garner some digital sales to keep the lights on through these dark times.

Once the coronavirus is eradicated, many of the new SMB subscribers are probably going to stick with Shopify for life. They'll have discovered the value of a digital presence. And they'll also remember that Shopify played a vital role in their survival.

That's brand equity that money can't buy.

Shopify continues to be one of the hottest stocks on the planet, rocketing past the \$1,000 mark. While Shopify's incredible fundamentals are worthy of a pie-in-the-sky multiple, one has to draw a line somewhere. Investor expectations and euphoria have now grown to ridiculous levels, setting up a

potentially disastrous scenario for momentum chasers who missed the latest 125% bounce.

Has Shopify stock become too hot to handle?

Although I've advocated being an aggressive buyer of Shopify stock despite the insanely high valuation, I do think the risks have become far higher in the run-up past \$1,000. With that in mind, I don't think Shopify will retain the title of "Canada's most valuable company" for very long.

Sure, Shopify has been innovating and executing like nobody's business. But investors need to remember that the firm has also been dealt an incredible hand. Amid the coronavirus crisis, Shopify has been given 'pocket aces.' After more than doubling in just over a month, I think Shopify stock is in danger of running itself off an expectations treadmill that's been set to maximum velocity.

At the time of writing, Shopify stock trades at a staggering 49.2 times sales. That's sales, not earnings, making the stock one of the most expensive companies on the planet. Many white-hot growth stocks trade at around 20 times sales. The bulls could argue that there's nothing out there that's comparable to Shopify and that it's worth far more than any growth stock out there.

For a firm that's typically traded between 15 and 25 times sales, I view the 50 times sales multiple as beyond absurd, even with the compelling catalysts factored in. The stock has become so expensive that even if Shopify pulls the curtain on some stellar results, it could still be in a position to plunge.

Foolish takeaway

More than just perfection is baked into Shopify stock at around \$1,000. So, if you bought in the March trough, as I suggested investors do, it can't hurt to take your invested principal off the table and [start playing with the house's money](#).

Stay hungry. Stay Foolish.

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