



Shopify (TSX:SHOP): 13.3 Billion Reasons to Cut Your Stake

Description

I'd like to congratulate you if you picked up **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) for your portfolio this year. Shopify stock is up a whopping 148% year-to-date and could go much higher as we enter the critical Christmas shopping season. By now, it's the largest public company in the country and our most prominent technology success story.

However, this week I noticed a signal that could indicate that we're reaching the top of this boom in e-commerce stocks.

13.3 billion reasons

The signal comes from Shopify's most noteworthy rival – **Amazon** ([NASDAQ:AMZN](#)). Specifically, [Jeff Bezos](#), who has spent much of the past few months *selling his stake in the company*. This week, he sold another batch of Amazon stock worth US\$3 billion (C\$3.9 billion). Altogether, the world's richest man has sold shares worth a jaw-dropping US\$10 billion (C\$13.3 billion).

Ordinarily, Bezos sells little more than \$1 billion in stock. This annual sale is part of his plan to gradually shift his capital from Amazon to his space technology venture Blue Origin. However, the fact that he's selling roughly 10 times his regular amount at a time when his company's valuation is at a historic high could indicate that he sees his firm as overvalued.

Bezos did say that "shareholders should take a backseat," going forward. Perhaps what he meant was that the run up in Amazon's stock price had compensated investors enough and could have priced-in this year's phenomenal growth spurt.

Shopify stock

Like Amazon, Shopify is trading at an all-time high as well. The company is now worth \$163 billion, making it Canada's most valuable public corporation. However, unlike Amazon, Shopify stock seems far more overvalued based on fundamentals.

While Shopify stock trades at 65.7 times annual sales per share, Amazon's ratio is just 4.85. Amazon also trades at a price-to-free cash flow ratio of 57, while Shopify stock trades at a ludicrous 689.

Put simply, if Amazon is overvalued (as Bezos seems to be implying) then Shopify is certainly overbought.

What should investors do?

I could be wrong in my assessment. But if I'm not, that doesn't necessarily mean Shopify stock will collapse. As mentioned earlier, Shopify is heading for a critical Christmas shopping season where its sales and cash flow could break new records. The stock could undoubtedly surge higher.

That said, savvy investors should proceed with caution. Perhaps cutting your stake a little will limit exposure. This might be the perfect time to take some profits and cement your success with this incredible stock.

Bottom line

Shopify stock has had an incredible run. As it enters the holiday season, the company could break new records yet again. However, the fact that Jeff Bezos, one of the smartest entrepreneurs on the planet, is dramatically cutting his stake could be a red flag. Investors might want to consider selling some Shopify stock too. This could be the perfect time to cement your gains.

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3. TSX:SHOP (Shopify Inc.)

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