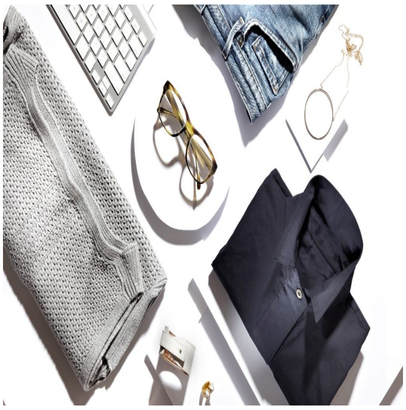

Shopify (TSX:SHOP): Is the High-Flying Tech Stock a Good Buy Today?

Description

A handful of sectors managed to become the primary growth drivers for the Canadian stock market, as the pandemic wreaked havoc on the economy in 2020. A few of the top tech stocks in particular managed to leverage the changing global landscape amid the lockdowns and exhibit stellar growth.

The financials, energy, and tech stocks impressed at the start of this year before a pullback period that saw prices for some of the top Canadian tech stocks dip. Contrarian value investors consider offloading shares of red-hot companies that seem like they may have reached overvaluation levels. Such investors might seek underappreciated and undervalued stocks that could drive their wealth growth with superior returns moving forward.

However, there are a few winning bets that don't seem to show any signs of slowing down, despite growing at an unbelievable rate. **Shopify** (TSX:SHOP)(NYSE:SHOP) is one such stock to consider. If you sold shares of the tech stock earlier under the impression that it cannot possibly sustain such high valuations, you might be regretting it right now.

Despite exhibiting such prolific growth, Shopify stock seems to find a way to go higher and higher and deliver stellar returns to its investors. I will discuss the darling from Canada's tech sector to help you determine whether it could be a good buy today.

Is Shopify expensive at over $1,900?

Shopify stock was trading for $2,068 per share on July 23 before sliding down to $1,873 per share in a week. At writing, the stock price is back up to $1,948 per share, and it seems to be on an upward trajectory again.

If you look at its price multiple, it is, without a doubt, an expensive asset to consider adding to your portfolio. From a price-to-sales ratio of 15 at one point, its current valuation reflects a price-to-sales ratio of 63.12.

As an investor, getting decent returns on your investment is the goal. The more money you can get in return for every dollar you invest, the better. After investing in a company, you should keep track of the circumstances and how its share prices are changing to determine whether it is a stock worth holding or if you should take the profits and trim your position in the company. The intrinsic value of a company is the key factor in making the decision here.

A company like Shopify, however, is difficult to evaluate for its intrinsic value. The company has constantly been expanding into more markets, and it has gained a reputation for consistently beating expectations.

There will come a time when Shopify will go through a slowdown in its top-line growth. Share prices may take a big hit, but Shopify has shown several times that it can recover rapidly after setbacks.

Foolish takeaway

Shopify stock has proven itself to be an excellent hedge against the impact of a global pandemic. The price tag for the stock is quite steep, and that might worry some investors thinking about establishing a position in the company right now. However, it would not be surprising to see the stock climb even higher in the coming year.

One of the reasons why Shopify stock has been considered too expensive by analysts and value investors is its high sales multiple.

Typically, such a high price-to-sales ratio would be something I would recommend avoiding. However, I believe that the company can grow into such a steep ratio and deliver stellar long-term growth. It might be a good time to buy shares of the company today.

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