2 TSX Breakout Stocks to Buy Right Now

Description

Don't fear stocks that are breaking out above their all-time highs. Value-conscious investors often shun the 52-week (or all-time-high) list, because they see the overbought names as overvalued and overdue for a steep correction.

While momentum investing may not be for everyone, I think younger investors like millennials should actively patrol the all-time high list, because like it or not, these are the stocks that have been working. Although they may have a stigma in the value investor community for being overvalued, there are many instances where stocks making the all-time-high list are undervalued, given their new slate of good news. And it's these breakout stocks that tend to head much higher.

Buying high and selling higher is the strategy that momentum investors embrace. But if you're looking for a breakout stock that's not as overvalued as the Street may believe, consider the following two TSX stocks.

Cargojet

Cargojet (TSX:CJT) is one of few airline stocks that's made the all-time-high list amid this coronavirus crisis. As you may have guessed from the name of the company, it's engaged in shipping cargo via airline and is a major player in the Canadian overnight shipping scene. The company is riding high on the secular e-commerce tailwind and has one of the wider moats of most other TSX mid-caps out there.

Amid the broader relief rally, Cargojet broke out past $120 to new all-time highs, and after taking a bit of a breather in May, it looks as though Cargojet could be on the cusp of breaking out again. Cargojet is a relatively pandemic-resilient stock that's not even that expensive, with shares within a percentage point of its all-time highs.

At the time of writing, CJT stock trades at 71.4 times next year's expected earnings (yes, it's expensive), but only 3.88 times sales and 7.92 times book, not exactly a pie-in-the-sky multiple for the magnitude of predictable growth (Cargojet averaged nearly 14% in annual growth over past three years) you're getting from the well-run firm.

For a stock that's within a sliver of making the all-time-high list, Cargojet is pretty cheap for a growth stock on a relative basis.

Docebo

Up next, we have an up-and-coming cloud software-as-a-service (SaaS) company that few Canadians have ever heard of. **Docebo** (TSX:DCBO) is starting to make a name for itself after hitting the IPO scene late last year. The stock is now up an unprecedented 150% from its March 20 lows and could be headed much higher given its coronavirus tailwind, which I'd pointed out in prior pieces, and its lower valuation multiple relative to many other cloud stocks that have a front-row seat to a lucrative niche market.

DCBO shares trade at 12.6 times sales and 20.1 times book. That's pretty expensive on its own, but modest relative for other AI cloud stocks with high double-digit growth numbers. Although Docebo is a small firm with a $790 million market cap, it has an impressive client list comprised of established behemoths. That in itself makes Docebo stock worthy of a premium multiple that may not be "premium" enough.

Docebo develops AI-leveraging e-learning software solutions known as Learning Management System (LMS). With workforces, students, and everyone in between working and training from home, Docebo is in a spot to make a name for itself. And given its "sticky" value-adding service, I think the stock could have a heck of a lot of room to run, as it continues breaking out to new heights.

CATEGORY

1. Coronavirus
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TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)
2. TSX:DCBO (Docebo Inc.)

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