



2 TSX Stocks I'd Trim

Description

The second-quarter market rally was nothing short of [unprecedented](#). It was one of the best quarters following one of the sharpest market meltdowns in recent memory. While there's no telling where the markets will be headed next at this critical crossroads, with the world focused on developing an effective vaccine, now is good a time as any to take a bit of profit off the table if you've yet to do so, especially in names that have soared above and beyond their pre-pandemic highs.

So, without further ado, here are two TSX stocks I'd trim, as their [valuations](#) continue swelling above mean levels.

Shopify

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) is quite possibly the hottest stock on the North American equity markets these days. The company continues to ride high on pandemic tailwinds, and its shares have continued to defy the fundamental laws of gravity.

As hot as the Shopify story has become amid the pandemic (it's seen as a lifeline by many SMBs), I cringe at the valuation. Although the bulls have a plethora of reasons as to why Shopify stock deserves to trade at 69 times sales (that's *sales* folks, *not* earnings), I'd urge those who've already doubled or tripled up in recent months to at least consider taking their principal off the table, as they look to play with the house's money.

I'm a raging bull on Shopify's business. I'd pounded the table on the stock back in March, as shares unfairly sold off. I'd noted that the firm's platform was a lifeline to many firms affected by COVID-19 and that the company would view the pandemic as a merchant growth accelerant. Back then, shares were trading at a ridiculously high multiple, but today, I believe shares have surged above and beyond levels that most would consider absurd.

Even the best business in the world with the strongest tailwinds at its back can stand to be a bad investment if the valuation of shares isn't attractive. Right now, I think Shopify stock is overdue for a modest pullback and would encourage profit-taking in the name before a broader growth-to-value

rotation has a chance to occur.

Docebo

Docebo ([TSX:DCBO](#)) is a little-known business that also happens to have one of the hottest stocks on the **TSX Index**. Shares of the learning management system (LMS) company have surged over 264% off its March lows and are looking overdue for a meaningful pullback. While I am a massive fan of the e-learning play as the rise of the work-from-home (WFH) trend and think Docebo is one of the better pandemic hedges that exists today, I'm hesitant to back up the truck on shares after such a tremendous rally.

Chasing stock based on momentum can be dangerous, especially when valuations become difficult to justify. While Docebo may still be undervalued (shares aren't *that* expensive at 17.9 times sales) in the grander scheme of things, given its already "moaty" business in its lucrative niche market, I think those who exhibit patience may be able to get in on the name at a much better price over the coming months, as growth stocks begin to run out of steam.

Docebo, like Shopify, is a wonderful business to own in a pandemic, but the valuation on its stock is a tad on the frothy side. I've been a raging bull on Docebo in prior pieces, pounding the table on multiple occasions, and for those who took my advice and bought, now is as good a time as any to at least do some trimming, even if it's just a quarter position so that you won't be left in tears should Mr. Market decide it's time to take back a big chunk of the gains posted in recent months.

Foolish takeaway

There you have it: two wonderful businesses I'd look to trim if you're of the belief that we're overdue for a severe correction or rotation out of the pandemic-resilient tech. While Shopify and Docebo are at risk of correcting, there's also a chance they may continue bucking the trend. So, if you've doubled up, trim your exposure and don't eliminate your entire position!

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2. TSX:DCBO (Docebo Inc.)
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