Don't Wait for a Correction: 1 Great Canadian Tech Stock That's Already 35% Off its High!

Description

This is probably one of the most hated market rallies in a while. Tune into any financial TV show, and you're likely to hear some pundit saying that we're long overdue for a market correction. The stock market is expensive. A correction could be around the corner. I'd be careful with stocks here. There are bubbles floating around this market.

It's such a cautious tone, and it very well may be warranted. But it's such cautiousness and a broadening of this market (more love given to value stocks) that leads me to believe that we could have more room to run into year's end. Of course, one should never be ill-prepared for a correction to hit. Nobody knows when or if it will hit this year, but you should be ready to buy dips, regardless.

Moreover, with the tech-heavy Nasdaq 100 already climbing out of a correction, I think investors should start scooping up bargains within the battered growth scene. Why? There's a chance that the tech correction may be the only one we'll get. And if that's the case, you'll want to have walked away from this mild sell-off with some discounted merchandise.

The correction already happened — at least in the growthiest areas of the market!

Action in the Turkish lira and coronavirus jitters caused bond yields to retreat off their 1.75% highs, causing a nice reverse rotation back into tech on Monday. More such reverse rotations could be on the horizon, and if that's the case, you'll want to own some beaten-down growth stocks while they're still down and out.

In this piece, we'll have a look at one Canadian growth stock that I believe is worth picking up after suffering a steep 36% drop. Now, I'm not yet ready to call a bottom in the name, as there could be more downside ahead if bond yields continue their ascent. Rather, I think the following sold-off growth stock is worth nibbling on today and on further weakness.

Without further ado, consider shares of **Docebo** (TSX:DCBO)(NASDAQ:DCBO), an e-learning up-and-comer that's still vastly misunderstood.

Docebo

Docebo took an uppercut to the chin amid this latest tech correction. As a play that won't be profitable until the distant future, the name deserved to take a beating. To make the Learning Management System (LMS) software developer even less attractive, pandemic tailwinds are poised to end with this pandemic. That said, I don't suspect the work-from-home (WFH) will die out in the post-COVID world.

In fact, I think Docebo is in a spot to build on the progress and client wins it made during the pandemic. If you're like me and think the pandemic accelerated adoption of WFH plays for good, Docebo is a must-buy on this dip.

As a hyper-growth play, shares are likely to lead the next downward charge if bond yields continue their ascent, sparking a continued correction in growth stocks. So, make sure you're ready to buy gradually into a full position over time.

At just shy of 22 times sales, Docebo stock remains pretty expensive. But given the incredible growth story and the fact that shares are cheap for a high-growth Software-as-a-Service (SaaS) stock, I view the stock as mildly undervalued. Analysts covering the name certainly seem to think so, with the consensus price target at $83 and change, implying 60% worth of upside from today's levels.

The stock could get pummeled further if this tech correction isn't over. But I'd start nibbling today, in case most of the pain in the tech sector is already in the rear-view mirror. Docebo's fundamentals are still as attractive as ever, even though investors are less willing to pay up for hyper-growth stocks in a market that's jittery about inflation.

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1. Coronavirus
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