2 Top Beaten-Down Canadian Growth Stocks to Buy Right Now

Description

The stock market has been rather unkind to the high-growth names, many of which have been severely punished through no fault of their own. Inflation fears have set up an environment where pricey high-growth and tech stocks are viewed as rancid, especially those lacking profits. The growth stocks had their moment in the limelight, and now they're on the retreat. Crises often pave the way for an acceleration in technological trends. As such, I believe many beaten-down Canadian growth stocks seem undervalued at the latest round of excessive selling.

The combination of higher inflation and fading pandemic tailwinds has many folks thinking that the peak has been reached by the fastest-growing tech darlings. I think that's far from the case. In many instances, I suspect the pandemic-induced acceleration in secular tech trends such as e-commerce could reward growth investors over the next several years. In the meantime, there will be pain, but any such plunges ought to be bought on the way down by young investors who want market-beating results over the next decade and beyond.

Beaten-down Canadian growth stocks to watch

If you view the coronavirus crisis as a temporary tailwind for tech stocks, then sure, the pullback is warranted. However, if you think the crisis has propelled the technological adoption of new tech a few years into the future, many freshly sold-off growth stocks seem more like screaming buys. And in this piece, we'll have a closer look at three names that I think are bargains that could fully recover from the tech wreck by year's end.

Enter AI-leveraging e-learning play **Docebo** (TSX:DCBO) and supply-chain management software developer **Kinaxis** (TSX:KXS), which are down 23% and 33%, respectively, from their peak levels.

Docebo

If any firm benefited from a crisis-induced acceleration in the adoption of innovative tech, it's Docebo. The LMS (Learning Management System) software company was little known back in 2019. But now, it's growing into a household name after having won many clients through 2020. The firm has helped many of its clients with the overwhelming process of the remote training of workforces. As the pandemic ends, Docebo may lose a bit of tailwind, but the growing adoption of LMS, I believe, will remain robust for years to come.

With Docebo stock fresh off a modest pullback, I'd look to buy shares before the next leg up. Docebo is growing absurdly fast. While such growth will decelerate on the other side of this pandemic, I still think it's a mistake to give up on the name just because growth is out of favour on Wall Street.

Kinaxis

Kinaxis (TSX:KXS) has fallen drastically out of favour in recent months, despite posting decent booking numbers and soaring new customer additions. With many supply chains worldwide still in disorder (think semiconductors), the demand for supply-chain management solutions is expected to remain robust.

Management is guiding for EBITDA margins to fall in the 11-14% range. I think the firm can easily hit the higher end of the range, as the company looks to re-accelerate its growth after a rocky patch. For a software-as-a-service company, Kinaxis stock is pretty cheap at just over 14 times sales.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:DCBO (Docebo Inc.)
2. TSX:DCBO (Docebo Inc.)
3. TSX:KXS (Kinaxis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date
2025/08/19
Date Created
2021/05/22

Author
joefrenette