2 Soaring Canadian Tech Stocks That Keep Raising the Bar

Description

Young investors should place their best growth picks in their Tax-Free Savings Accounts (TFSAs). In this piece, we'll have a look at two tech stocks that have been riding hot but have the potential to continue adding to gains, as the price of admission for Canada's fastest growers continues to surge.

Consider **Lightspeed POS** (TSX:LSPD)(NYSE:LSPD) and **Docebo** (TSX:DCBO)(NASDAQ:DCBO), which keep raising the bar in a very **Shopify**-esque fashion. Despite their frothy multiples, I think both names could easily grow into lofty expectations.

Lightspeed POS

I was a raging bull on Lightspeed POS stock when it nosedived over 70% during the 2020 stock market crash. Just over a year and a half later, the stock is multitudes higher on the back of some incredible growth numbers. Undoubtedly, the commerce-enabler went from a relatively unknown Canadian mid-cap to a dual-listed tech sensation that's starting to become a household name.

After knocking another ball out of the park in its latest fiscal 2022 first quarter (Q1/F22), I think it's going to be nearly impossible to ignore the high-growth firm as it looks to go after its target market.

For Q1/F22, Lightspeed got a nice revenue guidance upgrade from the $430-450 million range to $150-530 million. The company managed to surpass even the company's own ambitious estimates. As the economy reopens further, I think there's still room to pole vault over the bar that's been raised considerably.

Average Revenue Per Users are on the right track, and with significant momentum behind Lightspeed Payments, I don't see the company slowing down anytime soon. New offerings and a very favourable macro picture could propel Lightspeed stock to $200 over the next 18 months. Yes, the valuation is already stretched at over 41 times sales (that's *sales*, not earnings). But I'm still hesitant to encourage investors to do some profit-taking after the company's incredible quarterly beat and raise.

Yes, the quarter was really that good. Given the opportunity at hand, I'd argue the $15.3 billion market cap isn't nearly as high as it could be. Yes, an over 40 times sales multiple is tough to digest. But if you missed out on Shopify's epic run, I'd argue that it may be wise to hang onto a name whose growth story I've often referred to as "rhyming" with an early-stage Shopify.

Docebo

Docebo is another expensive growth stock that's continued to run. Unlike many other names that have gone parabolic, Docebo has the quarterly numbers to support its epic rally. Like Lightspeed, Docebo has a high growth ceiling and a capable management team. As such, I find it difficult to take profits on the name, as it keeps raising the bar for itself.

The stock has an unbelievable 2020 before stumbling in the first half of 2021, as high-growth names sank collectively. Shares are up 3% year to date but could be ready for another leg higher, as the fading of pandemic tailwinds could easily prove to be overblown. Undoubtedly, the productivity-enhancing cloud software company faces immense downside risk in the event of an abrupt rise in rates. Still, Docebo is a proven contender with much to gain from the continued shift to digital work.

In any case, I remain a huge fan of Docebo and think it's one of the best Canadian stocks to play the digital transformation trend.

The stock's 30.4 times sales multiple may seem steep. Given its growth prospects, though, I don't think it's really all that steep. I've been urging investors to buy all the way up over the past year and a half. Even after a mild quarterly earnings miss, I'm not about to change my stance. In fact, I'd look to add to the recent 7-8% pullback.

CATEGORY

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2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:DCBO (Docebo Inc.)
2. NYSE:LSPD (Lightspeed Commerce)
3. TSX:DCBO (Docebo Inc.)
4. TSX:LSPD (Lightspeed Commerce)

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