2 White-Hot TSX Growth Stocks That Could See Further Upside

Description

TSX growth stocks have been witnesssing considerable momentum these days. Who needs to venture south of the border to gain speculative technology exposure? Undoubtedly, the up-and-coming Software-as-a-Service (SaaS) companies have been making a lot of noise of late — so much so that our neighbours south of the border have taken notice as some TSX-listed growth gems went live on U.S. exchanges.

In this piece, we'll have a look at two hot TSX growth stocks that you should at least *consider* getting a bit of skin in the game today, especially if you're a young investor like a millennial who can afford to take on more risk for a shot at greater gains over the next 10 years and beyond.

Each name has seen a remarkable amount of multiple expansion over this past year. Valuations are stretched, and that leaves investors open to amplified losses in the event of a market-wide pullback. That said, I still think investors should initiate a starter position, as if any firm is going to grow into their pie-in-the-sky multiple, it's these companies. Just be mindful that there could be the occasional bump in the road!

With that warning out of the way, let's get right into the names.

Docebo

Docebo (TSX:DCBO)(NASDAQ:DCBO) is a name that I pounded the table on in the depth of last year's second quarter. I stated that the TSX growth stock was getting hit when it should have rallied, given that the company is in the business of learning management system (LMS) solutions whose demand would have been accelerated by the pandemic. Undoubtedly, crises can accelerate technological trends. And the digital transformation has been pulled by some years into the future as a result of lockdowns.

While the stock has doubled up many times over since I first recommended buying the name on the dip last year, I still think it's a must-own way to play the digital transformation. Some workforces are never going back to the office. And certain pundits foresee permanent destruction in business travel. With that, the need for SaaS solutions that make working remotely that much easier. As a SaaS product that pretty much pays for itself, given productivity benefits and other savings, Docebo could continue to pick up traction, even if the pandemic were to end next year.

I'm a value investor at heart. And while Docebo's valuation is extremely lofty at just shy of 33 times sales, I do think the stock may be discounted on a relative basis. Relative to other high-growth SaaS companies and relative to its incredible growth story.

Kinaxis

Kinaxis (TSX:KXS) is another TSX growth stock I pounded the table on earlier in the year, encouraging investors to take advantage of the unwarranted weakness in the stock. Shares of the supply-chain solution software developer are now up just shy of 55% since early June. As shares approach their all-time high of around $213, I think Kinaxis is a magnificent breakout play.

The stock is making up for lost time, and its price-to-sales is still below 20 times, making it a relative bargain as far as productivity-enhancing cloud stocks are concerned. Over the coming weeks and months, expect analysts to upgrade the name. The wonderful company is about to pick up where it left off. And with that, I expect shares will be at new highs in a hurry.

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1. Investing
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TICKERS GLOBAL

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

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