



Docebo and Lightspeed Stock Crash Over 20%: Buy or Bail?

Description

The recent uptick in the 10-year U.S. Treasury note triggered a brutal pullback in the broader basket of high-growth stocks. It's a story that we, as investors, are all too familiar with. The sudden bounce in rates caused investors to rotate out of the growthiest names out there in favour of cash and value names. The growth-to-value rotation is at it again, and I don't think investors should expect that it's anywhere close to being over.

Undoubtedly, higher rates don't necessarily mean that the broader markets are due to fall into a 10-20% decline. While value, cyclical, and reopening stocks are that much more attractive than their expensive growth counterparts, I do think that any rotations or rolling corrections will provide investors with opportune entry points. Remember, volatility and sector-based pullbacks provide stock pickers with more opportunities to snag a considerable discount.

So, should you follow the herd out of growth stocks into value or cheaper, less-loved areas of the market? Or is now the time to put on your contrarian hat and do some substantial buying of Canada's big tech winners while they're off from their highs?

I think the answer is somewhere in the middle. There's value in certain growth names in the crosshairs of Mr. Market. There are also gems to pick up in neglected industries that have barely budged over the past year. In this piece, though, we'll look at two growth stocks that have begun to roll over that I think could have more downside over the near- to medium-term. We're talking white-hot stocks that have led this market, doubling up many times over the past year and three quarters.

While I remain a fan of both businesses and their growth stories, I'm hesitant to catch them as they enter "falling knife" territory. The pursuit of catching a falling knife hurts. And the further they've risen previously, the faster the knives are falling and the greater the chance and severity of the damage you'll take if you attempt to grab it in one go.

The following names are great to watch. But if you're keen on getting skin in the game of either name amid weakness, I'd consider leveraging a dollar-cost averaging (DCA) approach to reduce the inevitable pains that come with catching a falling knife.

Docebo and Lightspeed: Too soon to buy?

Without further ado, consider **Docebo** ([TSX:DCBO](#))([NASDAQ:DCBO](#)) and **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)), both stocks turned violently on investors this past week. During Wednesday's turbulent session of trading, DCBO and LSPD stock plunged 1.3% and 11.8%, respectively. Both names are down around over 20% from their highs hit earlier this month. In simple terms, both stocks are crashing and hard.

Lightspeed's pains were courtesy of an American short-seller, Spruce Point Capital, who sees shares are ridiculously overvalued. Now, it's too early to tell if Lightspeed's short thesis will prove true. But there's no denying the incredibly frothy valuation after shares delivered multi-bagger gains out of the depths of last year. I was a fan of the business when shares climbed out of the depths of last year's market crash. At north of 50 times sales, though, I can't say I'd be a buyer of LSPD shares at these heights, especially not with short-sellers targeting the firm.

Learning Management System (LMS) play Docebo is a cheaper and likely better falling knife to catch if you're keen on buying a growth stock after the recent uptick in rates. The stock trades at just under 30 times sales, which is considerably cheaper than LSPD stock. Moreover, it's also a digital transformation play that could continue its growth for many years to come.

Also, not having a well-known short-seller targeting the name helps the case for buying the dip in DCBO. But personally, I'd be inclined to wait for this sell-off to settle before jumping into either name as they roll over.

CATEGORY

1. Investing

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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