2 Canadian Growth Stocks That Could Heat up in November

Description

It's been an ugly start to the fourth quarter, but after the scary September and October season comes a highly anticipated seasonal period for markets: the Santa Claus rally and the lead-up to it. Indeed, Santa Claus rallies aren't guaranteed. Nor are September-October bouts of turbulence, though. Still, given that the recent pullback has wiped out the froth off some of the highest-multiple names, the markets undoubtedly look far healthier, and this bull market's legs look to be that much stronger.

After a month and a half of selling pressure, I think it could pay off to step back and have a second look at some of the Canadian growth stocks that are down way more than the broader averages. In this piece, we'll have a look at two names, in particular, that could be in for a sharp ricochet once it hits bottom, whether it be later in October, next month, or at some point over the next year.

Consider digitization of work play **Docebo** (TSX:DCBO)(NASDAQ:DCBO) and **Shopify** (TSX:SHOP)(NYSE:SHOP), two growth stocks whose sell-offs look way overdone after weeks of tumbling, mostly due to rate-related issues and less to the do with each company themselves.

Docebo

Docebo stock plunged another 4% on Friday in an otherwise flat day for the broader **TSX Index**. The once red-hot momentum stock has reversed and crashed over 26% from peak to trough in the back half of September. Today, shares are down just under 24% from their highs, as the stock looks to find its footing in the low-$90 range. Whether DCBO falls back to its $80 level of support is anyone's guess. I'd say it's likely, but investors may have just a small window to get in before shareholders shrug off weakness across the board of higher-multiple names.

For now, the growth trade looks to be souring, and it's going to be hard for DCBO, which trades at around 29 times sales, to divorce the negative move made by the **NASDAQ.** In any case, expect the company to continue firing on all cylinders, with the launch of new products such as Docebo Connect and Flow, as management looks to raise the bar on the company's already impressive growth story.

Shopify

Shopify is an e-commerce darling that, believe it or not, still has plenty of high double-digit percentage growth days ahead of it. Undoubtedly, the brilliant CEO and founder Tobias Lütke continues to impress the Street, with incredible partnerships and new innovations to make the lives of its small- and medium-sized business (SMB) clients not only easier but also more profitable in a pandemic-plagued environment.

Shares of SHOP have been stupidly expensive for many years. The pandemic just brought forth even more multiple expansions. Currently, the firm has crushed estimates for four consecutive quarters. We’re not just talking solid beats; we’re talking quarterly numbers that are about as off-the-charts as they can get. At over 45 times sales, are expectations still too low? That’s the million-dollar question, and as far-fetched as it sounds, I do think SHOP stock could command a multiple north of 50 times sales, making the ridiculously-pricy stock a compelling value versus its long-term growth prospects and its capable management.

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:DCBO (Docebo Inc.)
4. TSX:SHOP (Shopify Inc.)

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