



## Are These 2 Canadian Growth Stocks Ready to Bounce Back?

### Description

Growth stocks took an uppercut straight to the chin recently, but as the September-October period of seasonal volatility comes to an end, will the hardest-hit Canadian stocks be in shape to bounce back to or even above their all-time highs? It's hard to tell, especially given the recent rise in rates.

Undoubtedly, higher rates mean profits far into the future are worth considerably less. The further in the future a growth firm has to look, the greater the downside in the event of a continued weakness in the 10-year Treasury note. Lower prices on the 10-year note mean a higher yield. A higher yield means high-growth stocks may have to surrender a chunk of their high multiple.

Still, not all growth companies are designed the same. Believe it or not, some high-multiple growth stocks may very well have a growth story that may yet to be appreciated by this market! Undoubtedly, such firms may already have a high multiple, but they could command an even higher multiple, perhaps offsetting some, if not all, of any rate-induced correction in high-multiple stocks.

### Docebo looks like a great bounce-back candidate

How can you tell which Canadian growth stocks are buyable after the recent slump, as they look to [climb](#) back in the face of ascending rates? Consider shares of a top Canadian darling like **Docebo** ([TSX:DCBO](#))([NASDAQ:DCBO](#)), which boasts a market cap that's still quite small relative to its long-term growth potential.

Indeed, I've described the LMS (Learning Management System) software developer as a compelling Canadian way to play the ongoing digital transformation that's been accelerated by the pandemic. While the stock was and still is expensive, the recent pullback north of 26%, I believe, is an opportune entry point for investors looking to get some skin in the game. The stock trades at around 31 times sales, and the recent wider-than-expected quarterly earnings miss has some throwing in the towel ahead of time.

This isn't the first quarterly miss for Docebo. It's come up short, with a wider-than-expected loss for two straight quarters in Q1 and Q2. Combine that with uptrending rates, and it's not a mystery as to why Docebo has suffered through a bear market moment. Despite COVID reopening pressures that could

present themselves over the next 18 months, I remain bullish on the stock because, like it or not, the work-from-anywhere trend is unlikely to reverse once this pandemic goes endemic.

Docebo is a great mid-cap growth stock that I believe could command a price-to-sales (P/S) multiple well north of the 40 times mark. Are investors paying too much merit to recent quarters and headwinds? Only time will tell, but as it is over 20% off its high, I am certainly not against doing a little bit of buying here if you consider yourself a venturesome investor who's looking for superior growth prospects over the next 10 years.

## Lightspeed Commerce under pressure

**Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) is another Canadian growth stock that's reversed in a [vicious way](#). It's not just higher rates that have investors hitting the sell button, though. Lightspeed is the target of a short-seller Spruce Point Management. The short report is concerning. Still, off around 30% from its high, LSPD stock may have considerable upside should short claims be proven to be baseless or exaggerated.

Remember, **Shopify** [moved on](#) from a report issued by arguably one of the most infamous short-sellers, Andrew Left. Could Lightspeed move on from its short-seller? It could, but I would be cautious. The stakes are high, with LSPD stock still up over 156% over the past year. I think it's too early to discount the impact of the recent short report. As such, I would prefer a name like Docebo, which is off by a similar amount minus the target on its back.

In short, Spruce Point could be proven wrong in a big way, and LSPD stock could skyrocket in response. On the flip side, things could go very wrong if Spruce Point has more success with its short than Citron did with Shopify. Investors should only get into Lightspeed stock if they're prepared for double-digit percentage moves in either direction. Personally, the stakes are far too high for me. As such, I'll be sitting comfortably on the sidelines.

### 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)
5. TSX:SHOP (Shopify Inc.)

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