1 of the Best Growth Stocks to Buy Before a Relief Rally

Description

We got a bit of a face-ripping rally on Wednesday, with the most hard-hit of names bouncing back following what's been a brutal start to 2022. Whether or not it's a fake rally remains to be seen. Regardless, there is a chance that the bottom could be in already, and if you've yet to do at least a little bit of buying, it may be time to start nibbling into some of the hardest-hit growth stocks on the way up. Indeed, catching a falling knife is hard — too hard for most investors. That's why I'm a fan of buying such hard-hit stocks on the way up.

Sure, you could get hurt in a sudden reversal, but if you're in it for the long term (think 10 years out), venturesome and young investors should look to be buyers of such damaged goods. Many growth stocks deserve to be punished. Rates are headed higher from here, and profits in the future are less valuable today. Further, competition, stretched valuations, and a tough environment warranted a tech wreck.

Buying top growth stocks on the way up?

This tech selloff will end. When it will end is a question that nobody knows. Look to the damage that's already been done and ask yourself if a firm has actually gotten cheaper after a 50%, 60% or even 75% drop. The narrative may have changed. But has it changed to the same magnitude as the drop in price? Probably not when it comes to growth stocks like **Docebo** (TSX:DCBO)(NASDAQ:DCBO), one of my top tech stock picks on the TSX right now.

Buying the dip in DCBO, down 56% from its high, will not be for the faint of heart. But if you've got the stomach for choppy moves and enough dry powder to average down, both growth stocks seem oversold and actually bordering on undervalued. Here's why.

Docebo

Docebo is one of the growth firms that burst onto the scene in 2020. It's a learning management system (LMS) software developer with a talent for AI-driven technologies. As a high-multiple SaaS play, it's been feeling pain. But most of the pain, I believe, is exaggerated, especially for Docebo, a $1.9 billion mid-cap with a sizeable moat and some of the most talented managers in the SaaS space these days.

Sure, the pandemic may end sometime soon, but the hybrid work trend is unlikely to. With the recent rally in oil prices, people are wanting to work from home more than ever. It's just too time-consuming and now more expensive to commute to the office. Such trends will work in favour of firms like Docebo, which benefit from a continued shift to a hybrid or remote work world. At $58 and change per share, the name looks beyond undervalued here. Although further downside is possible if tech continues to drag its feet. Shares aren't cheap, but versus growth, they may very well be undervalued.

Bottom line on Docebo stock

Once the tech scene bottoms, the rally is likely to be sharp. Whether it's already begun is a question mark. Regardless, names like Docebo are worth looking to while they're still off considerably from their highs. The company, I believe, is getting stronger as its share price weakens. For long-term thinkers, that's really all you can ask for!

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Date
2025/09/26
Date Created

2022/03/11
Author
joefrenette