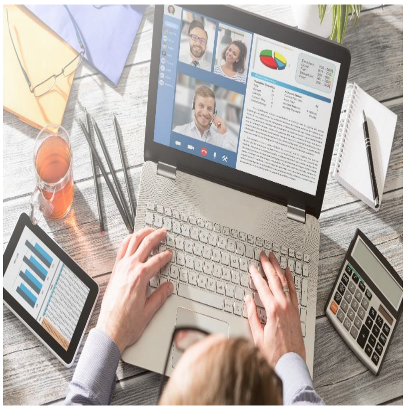

Tech Selloff: 2 Beaten-Down Stocks to Buy Now

Description

Tech stocks got hammered amid valuation concerns. Further, rising interest rates, high inflation, and the Russia/Ukraine conflict wiped out billions from the market caps of top TSX tech stocks. While the current macro and geopolitical environment add uncertainty, I am bullish on the long-term prospects of several TSX tech stocks and see the recent correction as a solid buying opportunity.

Let's look at two stocks trading at steep discounts from their highs. Further, these tech companies have solid potential for growth in the long term. Here are my two top picks.

Shopify

Shopify (TSX:SHOP)(NYSE:SHOP) created massive wealth for its shareholders. However, the slowdown in growth amid economic reopening and macro concerns led investors to dump its shares. Due to the recent selling, Shopify stock has corrected about 58% this year, creating a solid entry point for investors.

The headwinds impacting consumer spending and tough comparisons will likely hurt Shopify's growth in the short term. Further, accelerated investments in business could weigh on its near-term margins. However, given the significant selling, the negatives are already reflected in Shopify stock, which caps the downside risk.

Shopify's investments in e-commerce infrastructure, the strengthening of its fulfillment network, the addition of marketing and sales channels, and product expansion will drive its merchant base. Further, it is positioned well to capitalize on the ongoing shift towards omnichannel selling platforms and acquire more merchants.

Overall, Shopify's low valuation, growing market share, international expansion, and multiple growth catalysts make it a solid long-term play for wealth creation.

Docebo

Similar to Shopify, **Docebo** (TSX:DCBO)(NASDAQ:DCBO) stock has lost substantial value amid the recent selloff in tech stocks. Though it has recovered from its lows, it is still down about 48% from its 52-week high. While Docebo stock has corrected quite a lot, it continues to grow its revenues rapidly.

For instance, Docebo's annual recurring revenue jumped 59.1% in 2021. Meanwhile, subscription revenue increased by 67% and represented about 92% of total revenues.

Further, its KPIs, including customer base, average contract value, and retention rate, improved, which is encouraging and supports my bullish outlook. Its customer base increased about 29% year over year to 2,805 in 2021. Meanwhile, the average contract value increased by about 24%, and the net dollar retention rate stood at 113%.

Looking ahead, the momentum in its organic sales is likely to sustain. Higher spending by enterprises, multi-year contracts, growing deal size, new products, and increased revenues from existing customers will support its growth. Further, a large addressable market, opportunistic acquisitions, and operating leverage augur well for growth.

The pullback in its stock and ongoing strength in its base business make Docebo an attractive bet at current levels.

Bottom line

Shares of these tech giants have decreased substantially in the recent past, providing an excellent entry point to long-term investors. While the easing of lockdowns, tough comparisons, and macro headwinds pose challenges in the short term, the long-term fundamentals remain intact. Both Shopify and Docebo are expected to deliver robust financials in the coming years on the back of organic and inorganic growth.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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