2 TSX Tech Stocks That Could Emerge From Deep Losses

Description

Technology stocks have lost favour with investors following their stellar performances and explosive returns in 2020. The technology sector's annualized price return in 2021 dropped to 18.3% from 80.3% in the previous year. Fast forward to June 3, 2022, and the year-to-date loss has magnified to 36.25%.

Many of the leading tech names, including **Shopify**, are in the negative territory. Fortunately, the rout of **Absolute Software** (TSX:ABST)(NASDAQ:ABST) and **Docebo** (TSX:DCBO)(NASDAQ:DCBO) could end soon. Both companies are on track to rebound from deep losses and could be on the road to profitability.

Temporary shake-out

Credit Suisse chairman Alex Lehmann is among those who thinks the downturn of tech stocks in 2022 is a temporary shake-out. The situation today is far from the dot.com era, despite concerns that these high-growth tech firms are overvalued.

Lehmann said, "The valuation levels have come down, basically, in all stock markets, but the profits are still there of the companies, so we see a little bit of a shake-out that is happening." While he noted some similarities with the dot.com bubble, Lehmann said the underlying trends today are more supportive.

Unique security solutions

Absolute Software is now up 1.22% year to date, although, at $11.82 per share, the trailing one-year price return is -26.34%. The $603.27 million company takes pride in having the world's only firmware-embedded endpoint visibility and control platform. Organizations can recover from security breaches and resume operations with Absolute's endpoint security solutions.

While revenue in Q3 fiscal 2022 (quarter ended March 31, 2022) grew 69% year over year, the net loss reached US$6.5 million. In Q3 fiscal 2021, management reported a net income of US$2.2 million. The

quarter's highlight was the total annual recurring revenue (ARR) breaching the US$200 million.

Absolute's CEO Christy Wyatt said, "As more organizations adopt a robust endpoint-centric security posture in this next chapter of hybrid work, we are strongly positioned to address their top priorities and challenges with our unique self-healing endpoint and secure access solutions."

This tech stock is a rare gem, because it's a dividend payer. If you invest today, the dividend yield is a decent 2.64%.

Long secular growth trend

Docebo's fortune could change following the excellent results across the board in Q1 2022. Its CEO and founder Claudio Erba said, "Docebo is at the forefront of a long secular growth trend." Companies using learning technologies to solve mission critical challenges should drive growth.

Erba added, "We see this macro trend creating a prolonged demand opportunity that is enabling employees, customers and other stakeholders to drive favorable business outcomes." While net loss in Q1 2022 widened 25% to US$7 million versus Q1 2021, subscription revenue, gross profit, and ARR grew 47%, 43%, and 55% year over year, respectively.

The $1.37 billion company is popular globally for its artificial intelligence (AI)-powered learning suite. Market analysts have a 12-month average price target of $80.74, or a 93.8% upside from the current share price of $41.66.

True business models

UBS CEO Ralph Hamers said, "Clearly there is a question of what should the exact market value be of some of these models." Nonetheless, he thinks the underlying business models are true business models. "It's not like 20 years ago in the dot.com bubble. We had some models that were just models on paper and not real."

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