The 3 Best Beaten-Down Tech Stocks to Buy Now

Description

The fear of recession amid high inflation and rising interest rates has made investors risk averse. This, in turn, has led investors to dump high-growth tech stocks that usually carry higher risks. For context, the S&P/TSX Capped Information Technology Index has declined by about 35% so far in 2022. Top tech stock **Shopify** (TSX:SHOP)(NYSE:SHOP) has lost over 74% of its value year to date.

While the macro environment could remain challenging in the near future and restrict the recovery in tech stocks, the significant price corrections bring a buying opportunity for investors with a long-term mindset.

So, for investors with an appetite for high risk, here are three beaten-down tech stocks with solid growth potential.

Shopify

With the massive price correction, Shopify is the first stock on this list. Normalization in e-commerce demand, tough year-over-year comparisons, macro headwinds like high inflation, and the reopening of physical retail are why Shopify stock has lost substantial value.

While the tough macro environment could continue to hurt Shopify's prospects, its growth will likely accelerate in the second half of 2022 due to easier comparisons, benefits from the Deliverr acquisition, and new products.

In the longer term, Shopify's investments in POS (point of sale) and fulfillment, geographic expansion, product development, increased adoption of payments and capital offerings, and operating efficiency provide a solid platform for growth.

Shopify stock trades a forward EV/sales (enterprise value relative to its sales) multiple of 6.1, which is significantly below its historical average and at a multi-year low.

Docebo

Shares of cloud-based enterprise e-learning platform provider **Docebo** (TSX:DCBO)(NASDAQ:DCBO) have corrected over 54% so far this year. The decline in Docebo stock comes despite its consistently strong financial performance and solid operating metrics.

I see this decline as unwarranted and expect Docebo stock to rebound steeply, as the macro environment improves. Docebo continues to grow its organic revenues at a brisk pace (over 50%), despite tough comparisons. Further, its growing customer base (about 2,947 customers at the end of Q1), increase in multi-year contracts, higher average deal value, and strong net customer retention rate are positives.

Its strategic alliances, growing enterprise customer base, geographic expansion, new product launches, acquisitions, and higher revenues from existing customers will likely support its growth and cushion its margins.

While Docebo's business remains strong, its valuation is lower than the pre-COVID levels. Docebo trades at a forward EV/sales multiple of 4.9 compared to its pre-pandemic levels of seven.

Nuvei

Nuvei (TSX:NVEI)(NASDAQ:NVEI) stock lost about 50% of its value year to date. Concerns over its growth weighed on the stock price. However, those fears haven't played out yet as Nuvei consistently delivered solid financials and reiterated its medium-term guidance of 30% annual revenue growth in the coming years.

The ongoing momentum in its business (volume, revenue, and adjusted EBITDA increased by more than 40% in Q1), management's positive commentary over its future growth, and the correction in its price are why I'm bullish about Nuvei stock.

Nuvei would benefit from its investments in sales and marketing and the addition of more alternative payment methods to its platform. These measures will likely drive its customer base and support revenue growth.

Further, its expansion into high-growth verticals and emerging markets and ability to generate solid free cash flows bode well for growth.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:DCBO (Docebo Inc.)
2. NASDAQ:NVEI (Nuvei Corporation)
3. NYSE:SHOP (Shopify Inc.)

4. TSX:DCBO (Docebo Inc.)
5. TSX:NVEI (Nuvei Corporation)
6. TSX:SHOP (Shopify Inc.)

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