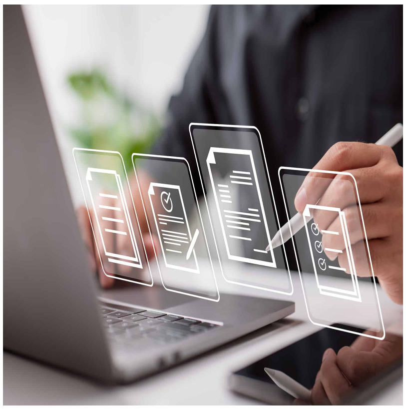

1 Battered Tech Stock to Buy Before a Market Rebound

Description

Canadian stocks have been in the doghouse for well over seven months now. For many beginner investors who jumped into the markets in 2021, it's been a tough ride. We've been dip buyers constantly over the past few years, making this extended period of weakness quite difficult to put up with. Checking your portfolio has become a euphoric experience to one that's almost physically painful.

Losses have mounted, and the rallies haven't been as steep or sustainable as those in the earlier part of the decade. Though this market selloff hasn't been as violent as the 2020 stock market crash, it has been quite extended and far less rewarding to dip buyers more than willing to bathe in the sea of red.

This plunge could take many months or even quarters to recover from. There is a need for greater investor patience. You can't expect to be rewarded with 10-20% gains in a matter of days of weeks by buying dips — not in this S&P 500 bear market. Instead, extend your investment horizon from a year or two to five to 10 years. Don't be so rattled by the short-term moves and stay invested, because a market rally will eventually kick off. And many investors will never see the new bull storming out of the gate.

The next bull could be fierce: Don't miss a chance to run with it

Don't underestimate the power of a bull. That's why new investors should stay invested, because we may very well be closer to the end of the American bear market than the beginning.

With that, I'd like to focus your attention to one of the best Canadian growth stocks that may be wise to keep on your buy radar before a stock market rally (a sustainable one) has a chance to kick off and the headlines go from bearish to bullish.

Remember, the risk/reward scenario is better than it was six months ago. Valuations have contracted meaningfully, and the bubbly parts of the market (think crypto) look to have burst for the most part. Without further ado, consider the following:

Docebo

Docebo (TSX:DCBO)(NASDAQ:DCBO) is an e-learning company that's helped many firms improve their productivity amid the rise of hybrid and remote work. While the pandemic was a major tailwind that's since dissipated, I still think it's a mistake to count the AI-leveraging Learning Management System (LMS) software developer out of the game at these lows. The stock is currently off 66% from its all-time high of around $111 per share.

At writing, the stock trades at an 8.6 times price-to-sales (P/S) multiple, which is only slightly higher than the software industry's average P/S of 7.8 times. Given Docebo is capable of growing sales at a 30-40% rate over the next few years, I'd argue Docebo stock deserves a premium to its peer group.

Further, Docebo's managers expect positive EBITDA (earnings before taxes, depreciation, and amortization) and free cash flow to go positive by year's end. That's encouraging, especially given the storm clouds facing the tech scene these days.

In the first quarter, Docebo saw EBITDA margins expand by more than 11% year over year. The company isn't just talking the talk. It's shown signs that it can walk the walk. And I think the stock could be in for a sizeable rally should it hit its EBITDA and free cash flow targets come the fourth quarter.

CATEGORY

1. Investing
2. Tech Stocks

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1. NASDAQ:DCBO (Docebo Inc.)
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