3 Growth Stocks Are Back in the Game: Up to 83% Upside to Come!

### Description

Many stocks have sold off in the past year, no thanks to high inflation followed by rising interest rates. High inflation increases the cost of goods sold and operating costs for most companies. Our central bank's action to curb high inflation by raising interest rates increases the borrowing costs for businesses and regular people, which is expected to curb economic growth.



*Reuters* reported last month, "In an interview with broadcaster *CTV,* Bank of Canada governor Tiff Macklem said inflation is likely to remain 'painfully high' and above 7% for the rest of 2022, though it probably will ease back in July compared with June." The Bank of Canada last increased the benchmark interest rate by 1% to 2.5% last month.

While the stock market is down about 12% from its peak, some growth stocks had it much rougher, partly because they previously experienced greater upside than the stock market when the market was rallying.

Here are three growth stocks that appear to be back in the game. More upside is likely to come for investors for a long-term investment horizon.

## A high-risk growth stock: Docebo stock

**Docebo** (TSX:DCBO)(NASDAQ:DCBO) stock just popped 9% yesterday with no particular news from the company. Investors should expect more volatility to come. For example, short-term traders could take profit as soon as tomorrow.

That said, the tech stock is still more than 60% below its 2021 peak. Patient investors could be handsomely rewarded. Analysts have a 12-month consensus price target that's 83% higher from the $44-per-share level at writing.

The tech stock seems to be basing in a channel between the low $30s and low $40s. Its revenue and gross profits moved higher over the last few quarters and last few years. However, it has yet to turn a net profit.

Its balance sheet is in good shape with a current ratio of 3.3 and a debt-to-asset ratio of 31%. The company should be reporting its second-quarter results soon this month, which would shed more light on its outlook for the rest of the year.

## One reliable growth stock: Constellation Software stock

**Constellation Software** (TSX:CSU) is a relatively resilient tech stock, because it has a solid track record of revenue growth, earnings growth, and high returns on equity. In the market selloff, it only corrected close to 25% from peak to trough. As of writing, it is almost back to the levels prior to the selloff. Roughly, it has recovered close to 20% from its bottom.

At about $2,146 per share, the quality growth stock is still a reasonable value. Analysts have a 12-month consensus price target that implies near-term upside potential of 19%. Moreover, investors can count on its price target being re-rated higher when it reports positive results on its earnings some point in the future.



## A solid growth stock for the long term: goeasy stock

**goeasy** (TSX:GSY) is another growth stock that has substantial upside prospects. The non-prime Canadian lender lost up to half of its value during the market correction. However, it has already recovered 26% from the low.

In the past 15 years, it increased its adjusted earnings per share at an impressive compound annual growth rate of close to 18%, even though in three of those years, it experienced double-digit rates of earnings decline. If history were telling, a proportion of Canadians would continue to need its lending products and services. In fact, there may be an increased demand due to high inflation and rising interest rates.

Furthermore, the growth stock is still cheap trading at about 10.8 times earnings. It also offers a safe yield of 3%. Analysts anticipate upside of about 67% is possible over the next 12 months from the current levels of about $120 per share.

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1. Investing
2. Tech Stocks

**TICKERS GLOBAL**

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2. TSX:CSU (Constellation Software Inc.)
3. TSX:DCBO (Docebo Inc.)
4. TSX:GSY (goeasy Ltd.)

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