



This Battered Growth Stock Could Soar Over the Next 3 Months

Description

The tech wreck of 2022 was nothing short of remarkable. The speculative appetite has faded in a major way, with meme stocks and crypto now losing their lustre. Indeed, many beginner investors who overweighted their portfolios in speculative assets are now licking their wounds. Many who chased momentum all the way to the top may never recover. Regardless, the speculative boom of 2021 will go down in the history books as a bust that will not be soon forgotten by the newest generation of investors.

Though high-multiple tech is unlikely to skyrocket to the same magnitude as 2021, I think we've reached a point where it makes sense to look through the tech wreckage for relative bargains. Indeed, when the U.S. Federal Reserve (the Fed) and Bank of Canada (BoC) started raising interest rates, the growth trade blew up in investors' faces. Those impressive growth stories with promises of future profits? Many are worth a fraction of where they were trading at a year ago.

Contrarians: Time to bet on beaten-down tech stocks?

With investors moving cash to the sidelines and into more value-conscious defensive plays, the true contrarian bet would be to nibble away at tech, specifically high-multiple tech that's in the gutter.

Rates on the 10-year U.S. Treasury note have been steadily declining in recent weeks. Though the market expects more rate hikes from the Fed over the coming months, investors seem to be open to a more dovish pivot at some point down the road, perhaps once inflation is stomped out.

Indeed, inflation is running hot at more than 8% in Canada. However, one can't help but be encouraged by plunging commodity prices (oil fell from US\$120 per barrel to below US\$90 this week) and disinflationary forces in the labour market. As firms get their supply chains in order, we could see a lot of supply come online, but demand may not stay nearly as robust as it was in 2021. The result could see more supply than demand and markdowns in inventory. Indeed, if a consumer recession is in the cards, high inflation, I believe, will not stand a chance. I think inflation is close to peaking, if it hasn't already.

As inflation finally rolls over as a result of disinflationary forces, we could see rates contract further, and that could provide further relief to the battered tech stocks that sold off over fears that rates will surge to the sky. Indeed, rates will rise until the Fed accomplishes its mission (lower inflation). After that, it may be able to begin cutting rates. That could set the stage for a tech rebound — the likes of which we may not have seen in years.

Docebo stock: A tech rebound play

Currently, I like **Docebo** ([TSX:DCBO](#))([NASDAQ:DCBO](#)), a learning management system (LMS) technology company that's unlocking the power of AI. During the pandemic, Docebo was white hot, as workforces embraced the work-from-anywhere (WFA) trend. The trend is likely going nowhere. Employees love working from home, and employers are finding that allowing them flexibility will not eat into productivity.

With another COVID wave looming and Monkeypox to worry about, the WFA trend could strengthen further. And with that could be demand for productivity solutions like those offered by Docebo.

The stock trades at 9.8 times price to sales (P/S), which is slightly above the software industry average P/S of 8.2. Though Docebo is not yet profitable, I think investors are [underestimating](#) its double-digit sales growth potential, even as IT spending takes a dip in the back half of the year.

Finally, Docebo stock looks to be turning a corner from a technical perspective. A double-bottom pattern looks to be in the works. If it comes to fruition, shares could be in for a move to \$54 per share over the next few months. That's a 20% gain. Should rates continue falling, I think Docebo stock is likely to get to such levels.

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