3 Beaten-Down Growth Stocks Are Poised for a Strong Rebound

Description

The **TSX** is inching slowly towards positive territory, although seven of its 11 primary sectors remain in the red year to date. After the broad-based rally on August 12, 2012, Canada's primary stock market is off by only 4.91% from year-end 2021.

Still, many investors continue to scout for bargain deals or beaten-down stocks with strong growth potential. Among the excellent choices are **Docebo** (TSX:DCBO)(NASDAQ:DCBO), **Cineplex** (TSX:CGX), and **Linamar** (TSX:LNR). The three stocks are buying opportunities following their impressive quarterly results.

Strong revenue growth

Technology stocks are in a slump under the present environment. The sector is the second-worst performer (-34.58%) as of mid-August 2022. However, Docebo should attract more investors over other tech names from here on. The $1.53 billion provider of artificial intelligence (AI)-powered learning suites reported impressive numbers for the second quarter (Q2) 2022.

Claudio Erba, Docebo's chief executive officer (CEO) and founder, said, "Our consistent execution enabled us to deliver strong ARR (annual recurring revenue) and revenue growth with positive free cash flow in the face of a macro-economic environment that saw enterprise sales cycles stretch as the June quarter came to a close."

In the three months ended June 30, 2022, total revenue and gross profit margin increased 36.3% and 36.5% versus Q2 2021. Net income reached US$2.1 billion compared to the US$7.19 net loss in the same quarter last year. At the quarter's end, customer count is 3,106, or a 400% increase from a year ago.

Docebo trades at $46.60 (-45.09% year to date). Market analysts covering the tech stock recommend a buy rating. Their 12-month average price target is $80.28 (+72%).

Positive net income

The business of Cineplex suffered tremendously in 2020 due to the breakout of coronavirus and the ensuing lockdown measures. However, the $731.83 million entertainment and media company just reported its strongest results since the pandemic began.

In Q2 2022, total revenues soared 439% to $349.9 million versus Q2 2021. Theatre attendance was 11.1 million (+866%) compared to 1.1 million from a year ago. More importantly, Cineplex had a positive net income of $1.3 million against the $103.7 million net loss in the same quarter last year.

Ellis Jacob, Cineplex's president and CEO, expressed confidence in the recovery of the business moving forward. Based on market analysts' price forecast, the current share price of $11.20 could appreciate by 46% to $16 in 12 months.

Overcoming a tough environment

Linamar deserves consideration due to the significant improvement in its core business segments (Industrial and Mobility). This $4.22 billion advanced manufacturing company creates and provide solutions that power vehicles, motion, and work.

The 2.2% increase in net earnings in Q2 2022 to $109.3 million versus Q2 2022 was impressive given the tough cost environment. Linamar's executive chairman and CEO Linda Hasenfratz said, "Q2 was a strong quarter thanks to markets improving in all of our businesses, market share growing and some relief starting to flow on customer pricing related to higher costs."

The industrial stock currently trades at $64.69 per share (-13.02% year to date) and pays a 1.24% dividend. Market analysts see a return potential of 24% (average) in one year.

Rising from the slump

Growth stocks slumped this year because of rising interest rates and runaway inflation. However, the businesses of the three companies in focus are starting to normalize.

CATEGORY

1. Investing

TICKERS GLOBAL

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2. TSX:CGX (Cineplex Inc.)
3. TSX:DCBO (Docebo Inc.)
4. TSX:LNR (Linamar Corporation)

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Date
2025/07/22
Date Created
2022/08/16
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