Up Over 30% in 1 Month, Are These Growth Stocks Poised to Rise More?

Description

Strong quarterly results, favourable management commentary, and easing macro pressure have led to a strong recovery in the shares of **goeasy** (TSX:GSY) and **Docebo** (TSX:DCBO)(NASDAQ:DCBO) Thanks to the recent buying, goeasy and Docebo stock have jumped 44.7% and 33.6%, respectively, in one month.

While these stocks have appreciated, they are still trading at a significant discount from their highs. This implies that these stocks could rise further and deliver strong returns, especially as the momentum in their businesses continues. However, an uncertain macro environment could continue to pose challenges in the short term.

Against this background, let's look at factors that could drive a further rally in these stocks.

goeasy

Despite macro concerns, goeasy continues to deliver solid organic growth led by an increase in loan originations. Further, its stable payment and credit performance are positives. In the second quarter (Q2), loan originations were up 66%. Meanwhile, improved loan originations led to a 191% increase in the organic loan portfolio. Further, its allowance for future credit losses declined due to the improved product and credit mix.

goeasy's management remains upbeat and expects to benefit from the expansion of products, omnichannel distribution, acceleration in consumer loan receivable portfolio, and growing penetration of secured loans.

It projects its organic revenue to increase at a double-digit rate over the next three years. Meanwhile, its operating margin is expected to expand by over 100 basis points, reflecting leverage from higher sales.

Thanks to the solid sales and improved margins, goeasy's bottom line will continue to increase at a double-digit rate. With a growing earnings base, goeasy is poised to grow its dividend (raised dividend at a compound annual growth rate of 34.5% in the last eight years) and boost its shareholders' returns.

With the strong growth momentum and its stock trading at a forward price-to-earnings multiple of 10.8 (still below the pre-pandemic levels), goeasy could rise further.

Docebo

Docebo offers software, solutions, and technology that support corporate e-learning. It witnessed stellar growth amid the COVID-led lockdowns. However, economic reopening and fear of an economic slowdown led to a sharp correction in tech stocks, including Docebo (it is still down about 60% from the 52-week high).

Despite growth concerns, the momentum in Docebo's business continued supported by solid organic sales. Notably, its annual recurring revenue and average contract value continue to grow rapidly, increasing by 48% and 18.4%, respectively, during the last reported quarter.

Further, its customer base continues to grow (about 3,106 customers at the end of Q2), while its net dollar-based customer retention rate remains strong.

Docebo could benefit from its growing enterprise customer base and strategic alliances. Further, new product launches, geographic expansion, and opportunistic acquisitions will likely accelerate its growth rate. Also, its ability to generate higher revenues from its existing customer base through its land-and-expand strategy bodes well for growth.

Due to the decline in Docebo stock, it is trading at a forward enterprise value-to-sales multiple of 5.8, which is significantly lower than its historical average of 12.8. Its rapid growth and low valuation make it an attractive long-term bet.

CATEGORY

1. Investing

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3. TSX:GSY (goeasy Ltd.)

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