2 TSX Stocks That Will Surprise You Tremendously With Their Upside

Description

With massive correction in top TSX stocks, now is the time to bet on the shares of the companies that have lost substantial value without anything being wrong with their businesses. Consider the shares of **Shopify** (TSX:SHOP) or **Docebo** (TSX:DCBO). Both these stocks have underperformed this year and are trading near their 52-week lows. However, their businesses remain strong, indicating that their shares could rebound swiftly, as the macro environment improves.

So, if you have a 10-year view, Shopify and Docebo stock would surprise you tremendously with their upside. These shares could eventually bounce back to their highs, translating into stellar returns. For instance, Shopify's 52-week high stands at $222.87, implying an upside of about 464% from current levels. Similarly, Docebo stock has an upside potential of 164%.

Let's look at the factors that make these tech stocks solid long-term picks.

Secular tailwinds and investments to support Shopify's recovery

Shopify has invested heavily to fortify its e-commerce infrastructure, like POS (point of sale) and fulfillment. This positions it well to capitalize on the structural shift in selling models towards multi-channel platforms.

Shopify's management stated that its investments to support long-term growth have started to gain traction and will positively impact its business in the coming quarters. Its investments will support sales, expand its addressable market, and increase its penetration. Further, the growing adoption of POS, including the strong demand for offline retail offerings, bodes well for growth.

Shopify is also expected to benefit from the strengthening of its fulfillment capabilities. Its recent acquisition of Deliverr will likely be accretive to its earnings and drive long-term growth. Also, its partnerships with top social media companies will drive its merchant base and volumes.

While Shopify's sales and marketing initiatives will drive its market share, its valuation is at a multi-year low. Its enterprise value-to-sales multiple of 5.1 looks attractive and presents an excellent buying opportunity.

Ongoing momentum to drive Docebo stock higher

While the correction in Shopify stock followed the slowdown in e-commerce trends, the momentum in Docebo's business has sustained. It's worth highlighting that Docebo's organic sales (represented by annual recurring revenue) remained strong and recorded a 48% growth in the last reported quarter. Overall, its annual recurring revenue has grown at a CAGR (compound annual growth rate) of 66% from 2016 to 2021.

Besides its solid annual recurring revenues, Docebo's growing enterprise customer base, increase in average contract value, and high customer retention rate impresses.

Its average contract value has increased from US$12,000 in 2016 to $45,000 in the second quarter of 2022. Meanwhile, its customer base rose to approximately 3.1K in the second quarter of 2022 from 0.9K in 2016. Furthermore, its net dollar-based retention rate stands at 113%, which is encouraging.

Looking ahead, new product launches, geographic expansion, opportunistic acquisitions, strategic alliances, and its land-and-expand strategy position it well to deliver solid double-digit growth. Moreover, Docebo stock trades at a forward enterprise value-to-sales multiple of 4.4, which is much lower than its historical average of about 13.6, providing a good buying opportunity for long-term investors.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:DCBO (Docebo Inc.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:DCBO (Docebo Inc.)
4. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. snahata

Category

1. Investing
2. Tech Stocks

Date
2025/06/28
Date Created
2022/10/22
Author
snahata