Down Over 60%, These Big-Name Growth Stocks Are on Deep Discount

Description

The fear of recession, normalization in demand trends from peak COVID levels, and valuation concerns have wiped out billions from the market caps of Canadian growth stocks. This pullback gives investors an excellent buying opportunity in a few top-quality TSX stocks. If you've got money that you don't need for the next five years, consider investing it in big-name growth stocks that are trading at a deep discount.

I'll focus on three top Canadian tech stocks that are trading at least 60% lower than their 52-week high with solid upside potential. Let's begin.

Docebo

Shares of the enterprise e-learning platform provider **Docebo** (TSX:DCBO) are down about 61% from its 52-week high. This decline in Docebo stock reflects the expected slowdown in enterprise spending amid a weak macro environment. Despite the concerns, Docebo has consistently delivered stellar financial performances in 2022, reflecting the strength of its business model. Further, this implies that the selloff in Docebo stock is unwarranted.

Docebo's ARR (annual recurring revenues) have grown at a CAGR (compound annual growth rate) of 66% since 2016. Moreover, it increased by 48% during the last reported quarter. Further, Docebo's average contract value continues to trend higher. For instance, it has grown nearly four times since 2016 (from US$12K to $45K in the second quarter of 2022). Another key highlight is its growing customer base. Docebo recorded a customer base of approximately 3.1K in the second quarter (Q2) of 2022 from 0.9K in 2016.

While Docebo's fundamentals remain strong, its ability to retain customers, geographic expansion, new product launches, acquisitions, and strategic alliances bode well for future growth. Docebo stock is currently trading at a next 12-month enterprise value/sales ratio of 4.6, which is lower than the pre-COVID levels of 7.2, making it attractive at current levels.

Shopify

Shopify (TSX:SHOP) stock is down about 79% from its 52-week high. Tough comparisons, normalization in e-commerce trends, and concerns over economic weakness have dragged its stock lower. Despite concerns, Shopify's revenue growth accelerated in Q3, reflecting benefits from merchants adopting its multiple solutions.

I said before that Shopify's expansion of products, the launch of new merchant features, and strategic alliances with social media companies would likely drive its merchant base and support its revenues. Further, easier year-over-year comparisons and increased adoption of its Capital, retail point-of-sale (POS), and Markets offerings bode well for growth. Also, benefits from its Deliverr acquisition and investments in fulfillment will likely boost its financial performance.

Currently, Shopify stock is trading at an enterprise value/sales multiple of 6.3, which reflects a significant discount from its historical average and presents a good buying opportunity.

Lightspeed

Lightspeed (TSX:LSPD) stock is down about 80% from its 52-week high. Despite this selloff, the momentum in Lightspeed's business has sustained, reflected through its strong organic sales growth. Further, the reopening of the economy has increased the demand for Lightspeed's platform and services.

The growth in its customer locations, increased payment penetration rate, the introduction of new modules, and the adoption of multiple modules by its existing customers will likely support Lightspeed's organic sales growth. Notably, Lightspeed expects to grow its organic sales by 35-40% in FY23. Moreover, acquisitions and entry into new verticals will accelerate its growth.

Due to the correction in LSPD stock, it is trading at the next 12-month enterprise value/sales multiple of 2.5, which is near its all-time low, providing a solid entry point at the current levels.

CATEGORY

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2. Tech Stocks

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2. NYSE:LSPD (Lightspeed Commerce)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:DCBO (Docebo Inc.)
5. TSX:LSPD (Lightspeed Commerce)
6. TSX:SHOP (Shopify Inc.)

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