2 TSX Growth Stocks I'd Buy and Hold Forever

Description

It seems like all we've heard about this year is chatter over the looming recession: how bad it will be, how long it will last, and what kind of damage it'll inflict on our portfolios.

After the 2022 bear market in stocks and severe pressure on bonds, many Canadian investors are likely feeling anxious about checking their holdings. It's a turbulent time. The Federal Reserve and Bank of Canada are hiking rates, even though they know the type of economic chaos they could cause. Indeed, inflation seems to be at top of mind for investors, consumers, and central banks around the world.

As we enter 2023, a recession is likely to work its course. Though the Bank of Canada thinks the storm is up ahead, many pundits also view the coming recession as a relatively mild one. Indeed, if central banks can pause or take a dovish pivot after the current tightening cycle, there's a good chance that a soft landing can happen and corporate earnings can continue to climb, albeit at a slightly slower rate.

In any case, I think too many investors are discounting the potential for a huge turnaround in TSX growth stocks. Specifically, the growth plays that have already shed more than 60-80% of their value from peak to trough.

Sure, higher rates don't bode well for high-multiple growth stocks lacking in profitability prospects. That said, there must a be a line in the sand drawn for such difficult-to-value securities. My guess is that such growth stocks have already been oversold. In that case, a correction to the upside could be in the cards within the next two to three years.

Consider **Shopify** (TSX:SHOP)(NYSE:SHOP) and **Docebo** (TSX:DCBO)(NASDAQ:DCBO), two misunderstood growth stocks that seem more like bargains right now.

Shopify

It's hard to believe Shopify has fallen more than 82% from its peak. It's been a nasty plunge after the perfect storm caused Tobias Lütke's innovative e-commerce firm to implode. Though investors aren't a fan of the trajectory ahead of a recession, I do view Shopify as still the top innovator in the Canadian tech scene. And right now, investors are paying a fraction (less than a fifth) for SHOP stock of what they would have paid last year.

Shopify's growth story is still strong, with a world of opportunity online (and now offline, with Shopify's newly unveiled point-of-sales solution). Though getting into logistics, with the recent acquisition of Deliverr, complicates matters, I do think investors should put their faith in management as they transition through what seems to be a slight pivot amidst mounting macro headwinds.

Logistics is a tough game to compete in, and it could hurt Shopify's profitability prospects for years to come. However, I do think many investors are too impatient to give the firm a chance to prove it can thrive in new market parallels.

Remember, Shopify stock surprised us all before, and I think it will do so again. At 8.2 times sales, I view SHOP stock as severely undervalued.

Docebo

Docebo is another pandemic winner that has crashed, shedding more than 60% of its value from peak to trough.

The $1.3 billion firm, which provides AI-powered LMS (Learning Management System) software for clients to improve their remote productivity, may be down and out, but it's still innovating. With such a magnificent product that's more than able to keep growing on the other side of this recession, I view the plunge in the stock as an overreaction.

Docebo may not be sustainability profitable yet. But its recent quarterly beat was encouraging ($0.06 EPS vs. expectations of a $0.07 per-share loss). I think Docebo's on the right track, and as it continues harnessing the power of AI, the stock could be quick to turn once rates pause and reverse.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

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