Is Now the Right Time to Buy Growth Stocks?

Description

For much of this year, growth stocks have trended downwards. Because of the severity of those downturns, the market has caused many investors to fear further declines, leading to a lot of selling. This has caused the market to enter bear territory. However, over the past month or so, many growth stocks have started to recover. This has likely come as a result of many projecting inflation to ease up soon. With that said, is it time to buy growth stocks? Or should investors continue to stay away?

Believe in the e-commerce growth story

Shopify (TSX:SHOP) is the first stock that I think investors should put on their radar. For the first few years of this company's history on the public markets, Shopify was a high flyer. In fact, it gained so much between 2017 and 2020 that it featured at the top spot on the TSX30 in 2020. Revisiting that list, investors can note that Shopify's three-year gain of 1,043% was almost as great as the next three companies combined.

However, since the start of this year, Shopify has mostly fallen. Today, it trades about 75% lower than its all-time highs. While those numbers may be troubling, consider that Shopify's third-quarter (Q3) revenue has grown more than 20% year over year. Those numbers, reported in its latest earnings report, may have contributed to its 48% gain since mid-October. Although investors still have a long way to go before this company reaches its previous highs, I believe it's a great time to be buying shares.

One of the best-performing stocks you could buy

Constellation Software (TSX:CSU) is a rare bread when it comes to the Canadian stock market. Since its initial public offering (IPO), Constellation Software stock has grown at a compound annual growth rate of more than 30%. Now, consider that its IPO was more than 16 years ago! There are very few stocks that are capable of generating (and sustaining) those kinds of gains.

Unfortunately for newer investors, Constellation Software stock hasn't done very well this year. This isn't much of a surprise given the current economic conditions. However, with a loss of about 11% on the books for 2022, Constellation Software is still doing a lot better than its peers in the tech sector. Over the past month, this stock has recovered about 12%. That includes a 6% drop since the start of December. Like Shopify, I believe it's a great time to buy shares in Constellation Software.

This stock still has a lot of room to grow

Finally, investors should start watching **Docebo** (TSX:DCBO) again. Of the three growth stocks mentioned in this article, Docebo is likely the least known. It provides a cloud-based and AI-powered eLearning platform to enterprises. Docebo claims some of the biggest names in the world as its clients. This includes the likes of **Amazon** and **Thomson Reuters**.

Year to date, Docebo stock has fallen about 46%. However, much like Shopify, investors were very pleased with its most recent earnings presentation. Since reporting a year-over-year increase of 40% in its total revenue, Docebo stock has bounced back more than 35% in the past month. It would be a good idea to at least consider getting in on this company while the valuation remains depressed.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)
2. TSX:DCBO (Docebo Inc.)
3. TSX:SHOP (Shopify Inc.)

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