2 Phenomenal Growth Stocks Down 70% That Could Rally in the Next Bull Market

Description

Growth stocks have fallen a lot this year. The NASDAQ100, the index that is home to most of the big U.S. tech companies, is down 31% for the year. Canadian tech stocks are delivering similar results.

It would seem to be a scary time to invest in growth stocks right now. That is precisely why they're such a great opportunity. At today's prices, many growth stocks are the cheapest they've been in years. Instinctively, we tend to believe that lower stock prices are "worse" than high ones, but logically, it is better to buy at low prices than high ones (assuming the quality of the asset is unchanged).

In this article I will explore two beaten-down growth stocks that are down 70% and that could rally in the next bull market.

Alibaba

Alibaba Group Holding (NYSE:BABA) is a stock I've been holding for a good while now. It spent most of 2021 and 2022 getting beaten down, but lately it has been rising, as China finally re-opened from its COVID-19 lockdowns.

Alibaba's most recent quarter was a big success. In it, earnings and cash flows both grew by high double digits due to cost cutting. Revenue grew more modestly at 3%. The results handily beat analyst expectations; people expected Alibaba's profits to shrink due to the COVID-19 lockdowns that were occurring in the third quarter.

As of this writing, BABA stock was down 70% from its all-time high. At one point this year, it was down 80%! The last few weeks have seen an impressive rally in BABA shares, but they're still down a lot. If you buy today, you're buying low by historical standards.

What's next for Alibaba?

One big thing on the horizon is December quarter earnings. Alibaba's current quarter ends on December 31. This will be BABA's first quarter in a long time with no COVID lockdowns in the picture.

Lockdowns were holding back Chinese retail spending for most of this year, but now they appear to be finally over. Alibaba could do well from here on out.

Shopify

Shopify (TSX:SHOP) is a Canadian tech stock that's down 79% from its all-time high. It got smacked this year due to high interest rates and a series of earnings releases that came in well below expectations.

2022 was a tough time for Shopify shareholders, but the worst may be behind them. In its most recent quarter, Shopify's revenue growth was 22%, which was way ahead of analyst expectations. It was also faster growth than what was observed in the second quarter, when growth was only 16%. The 16% sales growth in the second quarter was part of the reason why SHOP stock got beaten down so badly this year. Now that the growth is improving, we may see Shopify stock rise.

It's already risen quite a bit from its lowest price of the year (approximately 40%), and it may have further still to go.

In the old days, when SHOP stock went for $210, its sales were growing at 90% year over year. I wouldn't expect that kind of growth to return; if we don't, then we may never see $210 again. We could, however, revisit $100, which would be a great result for investors who buy today.

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1. Investing
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2. TSX:SHOP (Shopify Inc.)

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