Shopify and Docebo: 2 Growth Stocks That Are Smart Buys Today

Description

After a tumultuous year in 2022 for growth stocks, there is a chance for companies to stage a turnaround this year. Several high-flying tech stocks trading on the TSX are now valued at depressed multiples, making them top buys in January 2023.

For example, shares of **Shopify** (TSX:SHOP) and **Docebo** (TSX:DCBO) are down 77% and 63% below all-time highs, allowing you to buy the dip. Let's see why these two TSX stocks should be part of your equity portfolio right now.

The bull case for Shopify stock

Prior to 2022, Shopify was a supercharged growth stock that trounced the broader markets by an emphatic margin. Shopify went public in 2015, and it gained 6,000% between its initial public offering and the end of 2021. At its peak valuation, Shopify was the largest company on the TSX in terms of market cap.

In the last 12 months, SHOP stock has fallen off a cliff, as investors were worried about the company's decelerating revenue growth rates and falling profit margins. After almost tripling sales between 2019 and 2021, Shopify's top line rose by "just" 22% in the third quarter (Q3) of 2022 to $1.4 billion. However, in the last three years, its sales were up 350%.

Similar to most other tech companies, Shopify also reported a net loss as it continues to reinvest in growth. Shopify is among the largest e-commerce platforms globally and is investing heavily to widen its portfolio of products and solutions.

The Shopify Fulfillment Network will be a key revenue driver for the company in the next decade, as this solution is likely to streamline and optimize the supply chain for Shopify's rapidly expanding merchant base.

Shopify will also have to ensure its merchants continue to increase spending on the e-commerce platform. At the end of Q3, Shopify's merchant attach rate stood at 2.14%, which was a quarterly record for the company. This metric is Shopify's merchant solutions revenue calculated as a percentage of GMV, or gross merchandise volume.

SHOP stock continues to trade at a premium and is valued at seven times 2023 sales, which is quite high for a loss-making entity. But analysts remain bullish and expect SHOP stock price to surge 50% in the next year.

The bull case for Docebo stock

As part of the e-learning vertical, Docebo has grown its sales from $53 million in 2019 to $139 million in 2021. Analysts tracking the stock expect sales to touch $192 million in 2022 and $248 million in 2023.

Docebo offers an enterprise-facing cloud-based e-learning platform. Since 2016, it has expanded its customer base at an enviable pace, with its average contract value rising four times in this period.

Docebo is forecast to end 2022 with an adjusted profit of $0.21 per share compared to a loss of $0.55 per share in the year-ago period. Given its market cap of $1.52 billion, DCBO stock is priced at five times 2023 sales and more than 200 times forward earnings, which is very expensive.

Despite its lofty valuation, Docebo stock might gain close to 70% in the next year, according to consensus price target estimates.

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