2 TSX Stocks That Could Surprise You With Their Returns

Description

The top TSX stocks, primarily from the technology sector, lost substantial value in the past year. Thanks to the pullback, investors can buy these stocks at prices well below their highs and gain from their recovery. Against this background, investors could consider adding **Shopify** (TSX:SHOP) and **Docebo** (TSX:DCBO) to their portfolios. These companies have solid fundamentals, and their stocks can surprise you with their stellar returns in the long term.

For instance, Shopify stock is down about 77% from its high of $222.87. This means a recovery in Shopify stock back to its high could fetch a return of approximately 327%. Similarly, Docebo stock offers upside of 147%.

While these stocks offer steep upside potential, investors should note that economic uncertainty and fear of recession could keep these tech stocks volatile in the short term. Thus, investors with long-term mindsets should consider adding them to their portfolios at current levels.

Let's look at factors that make these stocks solid long-term picks.

Sector tailwinds to support recovery in Shopify

While the normalization in growth and valuation concerns have weighed on Shopify stock, it is poised to benefit from the growing penetration of e-commerce in overall retail. Shopify continues to ramp up investments in its e-commerce infrastructure, like fulfillment and POS (point of sale), which positions it well to benefit from the ongoing shift toward digital platforms.

Shopify's investment in long-term growth will likely increase penetration in existing markets, expand the addressable market, and drive its merchant base. Notably, Shopify's management indicated that its growth measures are gaining traction, which will drive its financials in the coming quarters.

The increase in the adoption of its POS offerings, including the strong demand for offline products, bode well for growth. Moreover, the acquisition of Deliverr and its investments in fulfillment strengthen its fulfillment capabilities and will likely drive its market share. Also, its partnerships with social media platforms and the launch of existing products in new markets are expected to drive its merchant base and GMV (gross merchandise volume).

While Shopify is likely to benefit from secular sector tailwinds, its stock trades at an EV/sales (enterprise value-to-sales) multiple of 7.3, which is at a five-year low and provides an excellent entry point.

Strong demand to fuel recovery in Docebo stock

Tough year-over-year comparisons and overall selling in technology stock dragged Docebo stock lower. However, the demand for its corporate e-learning platform remains high, reflected by the strong growth in recurring revenue, increased active users, and rising average contract value.

Docebo's recurring revenues grew at a CAGR (compound annual growth rate) of 66% between 2016 to 2021. Meanwhile, the momentum sustained in 2022. The company's average contract value has jumped four times since 2016. Also, Docebo's net dollar-based retention rate remains high.

Docebo will likely benefit from the increase in its enterprise customer base and new product launches. Further, increased revenues from its existing customers through the land and expand strategy, strategic alliances, geographic expansion, and acquisitions will accelerate its growth. Like Shopify, Docebo stock is trading at a significant discount from its historical average and offers an excellent buying opportunity for investors.

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