The 2 Tech Stocks to Buy Before a 2023 Recovery

Description

After delivering exponential gains to investors in the decade prior to 2022, several tech stocks are currently reeling under the pressure of a broader market selloff. The tech-heavy Nasdaq Composite index plunged 33% in the last year, with several tech stocks reporting much deeper losses.

But the ongoing volatility also provides investors with an opportunity to go bottom fishing. Historically, every bear market has eventually been replaced by a multi-year bull market, allowing investors to derive inflation-beating returns consistently over time.

Here, we look at two quality tech stocks you can buy before the markets recover in the second half of 2023.

Docebo

Founded in 2005, **Docebo** (TSX:DCBO) creates software and support systems for its base of enterprise-facing customers. Docebo offers a robust e-learning platform to customers, as it aims to integrate formal, social, and experiential modules powered by artificial intelligence, or AI.

The rapid shift towards remote work in recent years has increased demand for Docebo's portfolio of products, as e-learning solutions are now a core part of most corporate strategies.

Docebo was first launched as an open-source model, which was installed directly on corporate servers. But 11 years back, it transitioned to a cloud-based SaaS (software-as-a-service) platform model, allowing the company to generate a steady stream of recurring income.

It was among the first companies to leverage AI capabilities in the e-learning space, providing Docebo with a first-mover advantage and a competitive moat. Its dynamic platform allows companies to make data-driven decisions, which, in turn, improves the learning experience and increases employee-retention rates.

Despite a challenging macro environment, Docebo increased revenue by 37% year over year to $37 million in the third quarter of 2022. Its subscription sales stood at $34.3 million, accounting for 93% of total revenue.

The company increased gross margins by 39% to $29.8 million while its net income stood at $10.3 million or $0.31 per share compared to the year-ago net income of $0.7 million or $0.02 per share. Its annual recurring revenue stood at $144.6 million in the September quarter — an increase of 40% compared to the year-ago period.

Down 55% from all-time highs, DCBO stock is priced at a discount of 35% compared to consensus price target estimates.

Lightspeed Commerce

A fintech company valued at $3.6 billion by market cap, **Lightspeed Commerce** (TSX:LSPD) is among the fastest-growing stocks on the TSX. LSPD increased its sales from US$77.45 million in fiscal 2019 to US$548.37 million in fiscal 2022 (ended in March), on the back of highly accretive acquisitions. LSPD's gross transaction volume also rose 20% year over year to US$66.8 billion in the last three quarters.

Analysts expect Lightspeed sales to touch $979 million in fiscal 2023 and $1.21 billion in fiscal 2024. So, LSPD stock is priced at three times forward sales, which is not too expensive for a growth stock.

While still unprofitable, the company is on track to improve its bottom line from a loss per share of $0.49 in fiscal 2022 to earnings of $0.08 per share in fiscal 2024.

Lightspeed believes its total addressable market to keep expanding as small and medium enterprises require technology-powered solutions to run businesses and streamline payment processes.

Analysts expect LSPD stock to gain around 45% in the next 12 months.

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1. Investing
2. Tech Stocks

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