Ask a Fool: What Are the 3 Top Tech Stocks to Buy Today?

Description

The past quarter has been very volatile, and tech stocks have been hammered. For the first time in years, the TSX Index has outperformed the tech sector over a prolonged period of time. Over the past three months the TSX Composite Index has lost 5.62% of its value, whereas tech is down almost 10%.

Tech's recent underperformance is not surprising. When the markets struggle, investors tend to shy away from growth and bid up consumer defensive stocks. That being said, the blip is temporary, and tech still provides the best capital appreciation prospects in the market. Thanks to the recent downturn, here are three tech stocks investors should buy today.

Open Text (TSX:OTEX)(NASDAQ:OTEX)

Thanks to its quarterly decline of approximately 15%, Open Text is now one of the cheapest tech stocks on the Index. It is trading at a cheap forward price-to-earnings (P/E) ratio of 15.09 and its P/E-to-growth (PEG) ratio is exactly one. It's virtually unheard of to pick up a tech company with such a cheap PEG ratio.

The company has consistently grown by an average of 10% annually over the past five years. Analysts expect much of the same over the next five years and 14 of 16 rate the company a buy. They also have a one-year price target of $56.75. This implies 30% upside from today's price.

Open Text is also a Canadian Dividend Aristocrat with six consecutive years of double-digit dividend growth.

Constellation Software (TSX:CSU)

One of Canada's top-performing tech stocks over the past 10 years has taken a little breather. Down 6% in the quarter and 21% down from its 52-week high, Constellation Software is attractive at these levels. It's trading well below its historical P/E, price-to-book, and price-to-sales ratios.

Constellation is expected to grow earnings by 23% in 2019. This doesn't include any potential acquisitions. The company is a serial acquirer with an uncanny ability of buying and integrating software companies into its ecosystem. Analysts have a one-year price target of $1,050, implying 18% upside.

Shopify (TSX:SHOP)(NYSE:SHOP)

At the top of everyone's list should be Shopify. The company has been the target of very public short-sellers from Citron Research. However, the company continues to deliver. Just when analysts think the company's growth may be slowing, it continues to surprise.

The company's share price is more volatile than most with significant price swings. Shopify is now trading approximately 27% below its 52-week high. Investors may believe Shopify is overvalued, but it's not. The company is expected to post 40% sales growth next year and earnings are expected to more than double. Analysts have an average one-year price target of $218.68. I believe this to be on the low side. Why?

Since its IPO, Shopify has beat analysts' estimates of earnings and revenue in every single quarter. That is 13 straight quarters of outperformance. Analysts continue to underappreciated Shopify's growth story. Given the size of the untapped market, there is no reason to believe Shopify won't continue to deliver.

Foolish Takeaway

All three of these companies have seen recent share price weakness. This has provided investors with a great opportunity to buy high-growth and quality tech stocks at a discount.

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1. Dividend Stocks
2. Investing
3. Tech Stocks

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3. TSX:CSU (Constellation Software Inc.)
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