TFSA Investors: 2 Tech Stocks to Stash for 2019

Description

Technology stocks in the United States have struggled mightily in the fall. The carnage in the U.S. tech sector has not let up in early December, as the NASDAQ has suffered from its worst stretch since the financial crisis. For the first time in quite a while, Canadians may be thankful that technology stocks are under weighted on the TSX.

Today we are going to look at two TSX-listed tech stocks that are worth considering in the final weeks of 2018. The TSX has plunged 6.3% in 2018 as of close on December 5. Although this has frustrated investors, it also means that there are potential discounts out there for those who want to hit the ground running in 2019.

TMX Group (TSX:X)

TMX Group operates cash and derivatives markets for equities, fixed income, energy, and other asset classes. Shares were down 10% over a three-month span as of close on December 5. Even after its fall dip, TMX Group stock had increased 8% in 2018 so far. Its RSI briefly dipped into oversold territory in early October and late November, but there have not been many glaring entry opportunities for value investors this year.

TMX Group released its third-quarter results on November 8. The company posted diluted earnings pers hare of $1.02 which were up 10% from the prior year. Revenue surged 27% year-over-year to $192.8 million with 8% organic revenue growth. Cash flows also soared 58% to $100.4 million. For the full-year revenue has climbed 22% to $609.5 million and net income has increased 30% to $216.2 million.

The company also declared a dividend of $0.58 per share, representing a solid 2.9% yield. This is an added boon for a tech stock that is suitable as a growth option as well. TMX Group has posted growth in all business segments in 2018 and should be a top option for investors heading into 2019.

Kinaxis (TSX:KXS)

Kinaxis is an Ottawa-based company that provides software solutions for sales and operations planning. Shares were down 17% month-over-month as of close on December 5. The stock took a sharp dip after the release of its third-quarter results. However, like the post-earnings dip following its Q2 2017 report, this plunge looked like a tasty entry point.

Kinaxis stock dropped into oversold territory in mid-to-late November, which was one of the reasons I chose it as my top stock in December. This dip was even less warranted than its post-Q2 2017 drop, which came after the loss of a major Asia-based client. In the most recent third quarter, Kinaxis adjusted its revenue guidance that it said reflected the delay in closing new business. Kinaxis reaffirmed its adjusted EBITDA margin in the range of 25-28% of revenue.

The company's software is in high demand as supply chains are becoming more complex in a globalized world. Global research firm **Gartner** recently recognized Kinaxis as a leader in their Magic Quadrant for Supply Chain Planning System of Record. Shares have rebounded marginally in late November and early December, but the current price still represents an attractive entry point.

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