



2 Top Canadian Tech Stocks to Buy in 2019

Description

[Tech stocks](#), along with the market in general, have had a rough few months.

But as we head further into 2019, tech stocks that offer something life-changing for its customers and that are running solid businesses will thrive.

Here are two such high-quality stocks.

Kinaxis ([TSX:KXS](#))

This \$1.7 billion tech company has been a high flyer since its IPO in 2014 and has returned more than 400% for investors over this period.

The Ottawa-based developer of cloud-based supply-chain management solutions has gained market acceptance and market share, more than doubling its revenue since 2014 and achieving a compound annual growth rate in revenue of 22% over this period.

In the last year, Kinaxis stock has been volatile and is down 8.5%, despite continued double-digit revenue growth, continued free cash flow generation, and a strong balance sheet.

And while valuations on this growth stock are high at roughly 55 times this year's expected EPS and 46 times next year's consensus expected EPS, the company has the financials and the growth prospects to back it up.

Kinaxis is a high-margin, profitable, cash flow-generating company that has proven itself to be a player to be reckoned with in the tech industry.

With EBITDA margins of almost 30%, a solid history of free cash flow generation, all while investing for growth, and a strong, low-debt balance sheet, the stock is a fundamentally solid one for investors.

Free cash flow was slightly positive in the latest quarter but was \$4.7 million in the second quarter,

\$5.7 million in the first quarter, and is expected to recover in the fourth quarter.

I think with Kinaxis, investors would be well advised to watch this stock and to buy on weakness.

Open Text ([TSX:OTEX](#))([NASDAQ:OTEX](#))

Another company that is soaring as it beats expectations is Open Text, although its latest quarter was mixed, and the stock is down 11% since highs of this summer.

This stock has been [undervalued](#) for a while now.

It trades at just over 16 times this year's expected EPS, yet the company has a strong history of free cash flow generation and is generating a mid- to high-teens return on invested capital.

With estimates being increased and the potential for further increases coming from greater-than-expected synergies and economies of scale from Open Text's Documentation acquisition, plus any upside from the company's uses of its ample free cash flow, such as returning cash to shareholders, debt repayment, and/or future acquisitions, we can see that the stock is in a sweet spot.

This company is clearly undervalued amid its strengthening position in the software industry and strengthening financials.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. TSX:KXS (Kinaxis Inc.)
3. TSX:OTEX (Open Text Corporation)

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