Top TSX Tech Stocks for May 2020

Description

We asked our freelance writers to share their top stock picks from the technology sector. Here’s what they chose:

Joey Frenette: Lightspeed POS

My top tech pick for May is **Lightspeed POS** (TSX:LSPD). The commerce-enabling software firm has been feeling the pressure amid the coronavirus pandemic because many of its brick-and-mortar clients (small retail businesses and restaurants) are among the most vulnerable amid the lockdown.

Shares of LSPD lost over 70% of their value from peak to trough, an unprecedented decline that I view as excessive given that the company’s compelling long-term growth story is still intact.

Yes, the coronavirus will likely weigh heavily on coming quarterly results, but as the economy looks to re-open for the summer, I suspect Lightspeed is in a spot to come roaring back as gloom is gradually replaced with hope.

Fool contributor Joey Frenette has no position in any stocks mentioned.

Aditya Raghunath: Lightspeed POS

Aditya Raghunath also chose Lightspeed POS as his top pick from the tech sector for May. Here’s what he had to say:

My top technology stock pick for May 2020 is Lightspeed POS. Lightspeed stock has taken a beating this year. It reported quarterly results where the company’s earnings were below consensus estimates and then the COVID-19 pandemic drove shares lower.

Lightspeed has huge exposure to the restaurant and hospitality sector, a segment that has been decimated in the recent past. However, as governments look to restart their economies soon, it is time to be bullish on a stock that has an expanding addressable market and robust growth metrics.

Lightspeed is still posting an adjusted loss and trades at 17.7 times forward sales. But the company continues to reinvest in growth and customer acquisition making it one of the top bets in 2020 and beyond.

Fool contributor Aditya Raghunath has no position in any stocks mentioned.

Christopher Liew: Absolute Software

Absolute Software (TSX:ABT) is an up-and-coming Canadian tech stock that is gaining a lot of buzz. In a rapidly growing cybersecurity industry, Absolute is cementing its position as the leader in endpoint resilience.

Cybersecurity is growing in importance because cyberattacks are becoming more prevalent in an increasingly interconnected world. Absolute Software is offering a platform that can manage, monitor, and prevent cyberattacks.

The company is displaying strength in the enterprise market and reports strong profitability across the business. Many Fortune 500 companies are entrusting their internal security controls to Absolute Software.

There are about 40 Absolute applications available for use by remote digital workforces, which indicates that the company will have strong demand for years to come.

Fool contributor Christopher Liew has no position in any stock mentioned

Stephanie Bedard-Chateauneuf: Kinaxis

Kinaxis (TSX:KXS), an Ottawa-based provider of supply chain planning solutions, is my top Canadian tech stock for May.

Kinaxis' RapidResponse software helps large companies such as Ford and Unilever manage their supply chains, which is crucial amid the ravage caused by the coronavirus on global shipments. Customers use RapidResponse to make sure they have the right amount of raw materials on hand to manufacture their products by tracking demand and inventory in real-time.

In the first quarter, Kinaxis' revenues grew 15% year-over-year to $52.8 million. Overall usage of its software increased by 20% and continued to increase as the pandemic spread around the world.

The provider of supply chain management software is a top performer with a return of over 60% year-to-date.

Fool contributor Stephanie Bedard-Chateauneuf has no position in any stock mentioned.

Brian Paradza: Kinaxis Inc.

Brian Paradza agrees with Stephanie Bedard-Chateauneuf, naming Kinaxis as his top tech idea as well. Here's what he had to say:

Supply chain management software provider Kinaxis is one red-hot Canadian tech stock that continues to deliver double-digit revenue growth, sustained profitability, and positive cash flow generation year-in and year-out. The investing market is taking notice.

New customer uptake for Kinaxis's Rapidresponse® platform remains very strong to power a 23-25% compound annual growth rate in software-as-a-service revenue. Big conglomerates across North America, Europe, and Asia continue to sign-up for service, including global giants like Unilever and Technicolor among others recently.

The company's strong revenue retention rate above 100% and a sizeable sales backlog allowed management to reiterate its prior earnings guidance for 2020 in May, even as many other companies withdraw their 2020 guidance due to COVID-19 induced uncertainty.

Most noteworthy, the company's consistently positive cash flows from operations continue to sustainably fund internal growth projects and periodic acquisitions, making the company a strong growth stock to own. Further, there's no debt in Kinaxis's capital structure, so dilution and leverage risks aren't a concern.

Fool contributor Brian Paradza has no position in any stocks mentioned.

Cindy Dye: Kinaxis Inc.

Make that three votes for Kinaxis! Here's what Cindy Dye had to say about her top idea:

In 2019, Kinaxis was one of the top-performing tech stocks on the TSX. And the company, which creates supply chain management software, is off to a great start in 2020.

In the first quarter, software as a service (SaaS) revenue grew 24% to US$34.0 million. Total revenue increased by 15% to US$52.8 million. Over the past four years, Kinaxis' revenue has grown by more than 65%.

The company's strong results were driven by its growing base of multi-year subscription contracts. Once embedded in a client's system, Kinaxis' services are expensive to switch over to another provider, creating a low churn rate. These long-term commitments provide Kinaxis with a stable revenue base for 2020 and beyond.

Fool contributor Cindy Dye does not own shares of Kinaxis.

Demetris Afxentiou: Sierra Wireless

Sierra Wireless (TSX:SW)(NASDAQ:SWIR) is best-known as one of the largest global manufacturers of embedded modules and gateways used to enable device connectivity. Those modules and gateways are used in smartphones and IoT devices, both of which hold promising long-term growth.

Sierra is also a key player in the upcoming 5G rollout. This latest technological bump will usher in faster connections and stronger signals which are better suited to penetrating walls resulting in better coverage. Given the growing importance of telecommuting, this could prove to be an evolutionary change in how we work and communicate. That change represents a massive opportunity for long-term investors.

Sierra is currently trading down over 4% year-to-date, while the market is still showing losses of over 12%. In other words, Sierra is a great long-term holding for growth-minded investors, and this is a great time to buy.

Fool contributor Demetris Afxentiou has no position in any stocks mentioned.

David Jagielski: BlackBerry Ltd

BlackBerry Ltd (TSX:BB)(NYSE:BB) is my Canadian tech stock pick for May. Its shares were up over 20% in April as the stock has finally been picking up steam. It's been trading below book value for a long time and investors may finally be recognizing the long-term value that BlackBerry possesses.

The tech company's an underrated buy as it has been steadily growing and transforming its business in recent years. While sales in fiscal 2020 were up just 12% from fiscal 2018, that doesn't tell the whole story. The company's AI business, Cylance, wasn't a part of BlackBerry two years ago and it now makes up 15% of revenue.

Now is a great time to buy the stock as the demand for cybersecurity will only rise in the coming years, and BlackBerry's in a great position to benefit from that growth.

Fool contributor David Jagielski owns shares of BlackBerry Ltd.

Ambrose O'Callaghan: Blackberry

Two votes for Blackberry! Here's what Ambrose O'Callaghan thinks:

My top technology stock for the month of May is Blackberry. The stock has been a disappointment over the past year, but it still boasts a foothold in promising sectors. Those include cybersecurity and automated vehicle software.

Blackberry capped off fiscal 2020 with a better-than-expected Q4 earnings release. The company did not offer fiscal 2021 guidance due to the ongoing impact of the COVID-19 pandemic. Still, there is reason for excitement as Blackberry is moving forward with top software assets like QNX, Cylance,and the Spark platform. The company possesses a fantastic balance sheet and shares last had a favourable price-to-book value of 1.0. It has had its hiccups, but I'm still bullish on Blackberry in thelong term.

Fool contributor Ambrose O'Callaghan has no position in any stocks mentioned.

Vineet Kulkarni: Facedrive

Facedrive (TSXV:FD) is a carbon-neutral technology company that provides a ridesharing platform. It offers riders options like EVs, hybrids or gas-powered vehicles to choose from.

Facedrive's sustainable business strategy differentiates itself from the established players. Despite being a new entrant, it is unlikely to struggle to gain a market share because of its positioning as a socially responsible company. In 2019, its revenues jumped to $599,104 from $13,579 in 2018.

Although Facedrive is a loss-making venture at the moment, it could turn profitable amidst growing rider base and geographical expansion.

Facedrive stock has skyrocketed 540% in the last 12 months. It could continue its upward march with solid revenue growth driven by its climate-friendly appeal.

Fool contributor Vineet Kulkarni does not have any positions in the stocks mentioned.

Sneha Nahata: Open Text

My top tech pick for May is **Open Text** (TSX:OTEX)(NASDAQ:OTEX). Open Text is in a sweet spot with multiple catalysts to push its stock higher. The company's revenues are growing at a breakneck pace, thanks to the continued momentum in the annual recurring revenue (ARR) streams. Open Text's ARR represents more than 75% of the total revenues, while ARR renewal rates are over 90%, which is impressive and ensures stable cash flows in the future.

Open Text has also emerged as a leading provider of the cloud platform, which has opened tremendous growth opportunities. The company's cloud division is scaling to be a US$1 billion run-rate business.

The growing share of ARR, margin expansion, expected price increase, and strategic acquisitions put Open Text in the best possible position to generate roaring returns for its investors.

Fool contributor Sneha Nahata has no position in any of the stocks mentioned.

Kay Ng: Open Text

Kay Ng agrees with Sneha Nahata, naming Open Text as the top Canadian tech stock to buy today:

Few quality TSX tech stocks, like Open Text, offer a good balance of growth and income.

Open Text is a leader operating in the growing industry of information management. As a result, the company has increased revenue for 21 consecutive quarters on a constant currency basis. That's the kind of long-term growth trend investors can expect.

Simultaneously, Open Text has increased its percentage of annual recurring revenue to 77%, which improves the stability of its top line. Moreover, the management expanded its adjusted EBITDA margin to 36.8%. This secures its bottom line even in an economic downturn.

In summary, Open Text is reasonably valued, offers stable and persistent growth, and pays a 1.8% yield with a dividend growing more than 10% a year.

Fool contributor Kay Ng owns shares of Open Text.

Ryan Vanzo: Constellation Software Inc.

My top tech stock for May is **Constellation Software Inc.** (TSX:CSU). Founded in 1996 by Mark Leonard, a former venture capitalist, this company discovered a winning formula that has generated immense returns for long-term shareholders.

The recipe is simple: assemble a portfolio of software products that automate mission-critical processes. Automation software is a lucrative business, allowing customers to reduce costs and increase profits no matter what the economy is doing.

But the most important aspect of Constellation's product portfolio is that it focuses on *mission-critical* tasks. Its software is not something easily replaced or eliminated, even during a deep recession. This makes the company a reliable moneymaker, in both good times and bad.

Fool contributor Ryan Vanzo has no position in Constellation Software Inc.

Robin Brown: Constellation Software Inc.

But wait, there's more! Robin Brown also selected Constellation Software:

Constellation Software is my top technology stock for May. Smaller software-as-a-service (SaaS) companies will need capital, mentorship, and broader corporate structure to navigate the pandemic crisis. Consequently, Constellation should have a strong acquisition pipeline ahead.

The company has $330 million of cash, so it has significant dry powder to deploy. Its model of recycling cash flow into new businesses has created a very stable, growing business. Over 70% of its revenue is now reoccurring.

Overall, the company is a cash compounding machine, it has strong management, and robust secular tailwinds, so it is a great long-term buy today!

Fool contributor Robin Brown has no position in any of the stocks mentioned.

Nicholas Dobroruka: Constellation Software Inc.

A lot of love being shown to Constellation as Nicholas Dobroruka gives the software giant its third selection. Here's what he thinks:

My top Canadian tech stock for the month of May is Constellation Software (TSX:CSU). The software giant operates vertical software companies that build and design client-specific programs. The business model is unique, as it acquires companies, re-invests aggressively in the newly acquired businesses, and then allows them to flourish.

More than 50% of the company's revenue is drive by government-related customers, meaning the impact of COVID-19 will be minimal.

Constellation Software has significantly outperformed the S&P/TSX Composite Index in recent years, and there are plenty of reasons to believe it will continue to do so. The company has seen a growth of 175% in stock price over the past five years, versus a drop of 3% in that same time frame for the Canadian market.

Fool contributor Nicholas Dobroruka has no position in any of the stocks mentioned.

Daniel Da Costa: Shopify Inc.

Shopify Inc (TSX:SHOP)(NYSE:SHOP) has had a dominant run the last month. The company has been positively impacted by the shutdown of the economy, as merchants rush to make up their lost sales online.

Online shopping was already a growing trend. And while I anticipate some of the increased volumes may drop off as stores start to reopen, I think Shopify and its merchants will continue to retain higher sales when the economy opens back up.

So, on top of a significant boost to sales today, its long-term growth should see an uplift as well. While the stock is trading near its all-time highs, I'd be looking to add a position on weakness.

Fool contributor Daniel Da Costa has no positions in any stocks mentioned.

Andrew Button: Shopify Inc.

Andrew Button also chose Shopify. Here's what he had to say:

Last week, Shopify briefly eclipsed **Royal Bank of Canada** as the nation's most valuable company. That was thanks to a surprise Q1 earnings release that saw adjusted earnings rise 210% year-over-year. Revenue growth was also healthy at 47%.

Shopify is still a very expensive stock, but it has the wind at its back right now. I wouldn't call this a "buy and hold forever" play; it's unlikely that SHOP will continue rising at the rate it has been over the past five years. However, it has a lot of potential in the near term.

Fool contributor Andrew Button has no position in any of the stocks mentioned.

Victoria Hetherington: Shopify Inc.

Our writers simply can't get enough of Shopify, giving it a third selection and tying it with Constellation Software and Kinaxis as the most popular idea from the Canadian tech sector. Here's what Victoria Hetherington had to say in her Top Pick writeup:

My top Canadian tech pick for May has to be Shopify. Two things about Shopify really stand out, and those are performance and outlook. Shopify smashed its first-quarter earnings expectations, delivering 47% year-on-year revenue growth. This is quite the feat given the current market.

While that rate of climb may not be sustainable in the near-term, investors should note that Shopify's share price has appreciated almost 200% in the last 12 months.

But Shopify is more than a momentum-generating tech stock. The flexible e-commerce platform is shaping up as the retail model of the future. Investors can expect to see some pullback as Shopify eases off the gas mid-pandemic. However, this name could truly defy gravity in the long run.

Fool contributor Victoria Hetherington does not own shares of Shopify.

Amy Legate-Wolfe: CGI Inc.

There are remarkably few deals to be had right now in the tech industry, but **CGI Inc.** (TSX:GIB.A)(NYSE:GIB) is one of them. Some of this comes from the company's less-than-sexy business model, but that model works. The company provides IT services to large companies and government agencies. This has provided a steady stream of revenue coming in while other tech industries have struggled to bring in new clients.

CGI Inc. shares have been on a steady upward trajectory for decades until the market crash, when shares fell by 41%. Since then, the stock has risen about 30% as of writing. In the next year, shares could reach beyond $110 per share, which isn't unheard of considering it traded at $100 before the crash. That would leave a potential upside of 25% as of writing.

Fool contributor Amy Legate-Wolfe does not own shares of CGI Inc.

Karen Thomas: CGI Inc.

Karen Thomas also selected CGI as her top idea. Here's what she had to say:

At this time of heightened risk, my top tech stock is CGI Group Inc. for three main reasons. Firstly, CGI Group is a well-diversified company, with revenue from countries all over the world and with a wide variety of high-end IT services. This tech stock truly enjoys the benefits of diversification. Secondly, CGI Group has a very strong balance sheet and the company is ready for its next acquisition to drive additional growth and value. Thirdly, as the coronavirus fades, CGI will be a part of the rebuilding process. From public health to online learning projects, CGI is working on the transition to the "new normal".

In summary, CGI Group is a company that has a proven track record and a clear vision for growth in the tech world. It is my top tech stock today.

Fool contributor Karen Thomas owns shares of CGI Group Inc.

Mat Litalien: Real Matters

Real Matters (TSX:REAL) has been one of the hottest technology companies of the year. It's up 70% year-to-date after strong second-quarter results blew past expectations, including earnings per share of $0.13, beating by $0.08.

In the early stages following its Initial Public Offering, Real Matters struggled to execute and the stock struggled to find a footing. In 2019, the company turned a corner and it has since put together a string of strong quarters. The future also looks bright with strong annual earnings growth of 50% expected over the next couple of years.

Fool contributor Mat Litalien has no position in Real Matters.

Kris Knutson: Real Matters

Kris Knutson agrees with Mat Litalien, selecting Real Matters as his top pick. Here's his summary:

Real Matters is one of the best performers on the TSX this year. The company is set to disrupt the antiquated real estate industry. The company uses its Canadian and America networks to create a marketplace for mortgage lending and insurance industry services. Real Matters is still small with a market capitalization of $1.7 billion, but it has a lot of room to grow.

In Q1 2020, Real Matters' consolidated revenue grew by 71.4% year-over-year. It continues to grow its business by adding new lenders to its U.S. Appraisal and Title businesses. The company is also increasing shareholder value by repurchasing shares for cancellation. Since June 11, 2019, The company has purchased about 2.1 million shares.

Fool contributor Kris Knutson does not have any positions in the stocks mentioned.

Andrew Gudgeon: Real Matters

Real Matters gets a third and final nod from Andrew Gudgeon, putting it with Kinaxis, Constellation

Software, and Shopify as the top vote-getters. Here’s what he had to say:

Real Matters is my top tech pick for May. It combines proprietary technology and network management capabilities with tens of thousands of independent qualified field agents to create a marketplace for mortgage lending and insurance industry services.

In the first quarter, Real Matters’ consolidated net revenue and EBITDA increased 87.1% and 159.1%, respectively. Management is clearly executing, and the stock price is reflecting results. I believe financial trends supporting Real Matters will continue in the future.

Fool contributor Andrew Gudgeon does not own shares of Real Matters.

CATEGORY

1. Tech Stocks
2. Top TSX Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. NASDAQ:SWIR (Sierra Wireless)
3. NYSE:BB (BlackBerry)
4. NYSE:GIB (CGI Group Inc.)
5. NYSE:SHOP (Shopify Inc.)
6. TSX:ABST (Absolute Software)
7. TSX:BB (BlackBerry)
8. TSX:CGI (Canadian General Investments, Limited)
9. TSX:CSU (Constellation Software Inc.)
10. TSX:GIB.A (CGI)
11. TSX:KXS (Kinaxis Inc.)
12. TSX:LSPD (Lightspeed Commerce)
13. TSX:OTEX (Open Text Corporation)
14. TSX:REAL (Real Matters Inc.)
15. TSX:SHOP (Shopify Inc.)
16. TSX:SW (Sierra Wireless)
17. TSXV:STER (Facedrive Inc.)

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