Wait and Buy the Dip in These 3 Red-Hot TSX Tech Stocks

Description

The Canadian tech stocks did pretty well amid the coronavirus-led crisis with a few of them generating exceptional returns. Not only these TSX stocks gained in value, but they also outperformed the benchmark index by a wide margin.

I maintain my positive outlook on these tech stocks and expect the growth momentum to continue. However, the clouds of uncertainty surrounding the economy and high volatility in the market indicate that these tech stocks could witness a pullback and present an opportunity for investors to go long.

Shopify

It is no surprise that **Shopify** (TSX:SHOP)(NYSE:SHOP) stock has skyrocketed this year. Its shares have more than doubled, despite the recent pullback, driving its market cap to over $130 billion. The pandemic has escalated the demand for its products and services, leading to a surge in traffic. Its impressive quarterly numbers further fuelled growth in its stock.

Despite the tough year-over-year comparisons, Shopify's revenues surged 47% in the most recent quarter. Meanwhile, Shopify's growth rate could accelerate further in the coming quarters. Investors should note that Shopify's partnership with **Facebook** and **Walmart** could drive multifold growth in its sales over the next decade and push its stock higher.

However, given the stellar growth in Shopify stock, investors should wait for a dip before going long.

Kinaxis

Kinaxis (TSX:KXS) is another stock that could sustain the growth momentum in the long run. The company provides cloud-based subscription software services for supply-chain operations in the U.S., Canada, Europe, and Asia.

Kinaxis has shown extraordinary growth since its IPO. The company's solid business prospects, higher recurring revenues backed by multi-year subscription agreements, and new customer acquisitions have driven its share prices from $13.00 to $182.67 in just five years. Kinaxis stock is up about 83%

year to date. Also, it has grown by over 117% in one year, beating the broader markets significantly.

The company’s products and services witnessed a surge in demand amid the COVID-19 outbreak. Meanwhile, the order backlog remains strong, indicating solid future growth prospects. Also, strategic acquisitions should further accelerate growth. Investors should continue to buy the dip in Kinaxis stock for solid long-term gains.

Enghouse Systems

Enghouse Systems (TSX:ENGH) is among the few TSX companies that are significantly gaining from the pandemic. Enghouse’s products and services support remote work and visual computing, which is in high demand. Besides, I expect the demand to sustain in the coming quarters, driving its stock higher.

Even in the pre-pandemic phase, Enghouse has performed exceptionally well. The software company’s top line grew at a CAGR of 8% since fiscal 2015. Meanwhile, its EBITDA increased at a CAGR of 14% during the same period. Enghouse’s two-pronged growth strategy helps it in delivering strong operational performance. Besides the strength in its underlying business, Enghouse also benefits from its strategic acquisitions. Enghouse’s recent acquisitions, including Vidyo, Espial, and Dialogic, have helped in expanding its product portfolio and accelerate its growth rate.

I remain optimistic about Enghouse stock owing to its ability to drive growth through acquisitions. Favourable industry trends should continue to support its sales. However, investors should wait for a pullback in Enghouse stock before going long, as it has considerably surged in value.

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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2. TSX:ENGH (Enghouse Systems Ltd.)
3. TSX:KXS (Kinaxis Inc.)
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