



2 Tech Stocks With 40% Upside

Description

Tech stocks have led the market for nearly a decade. Companies like **Facebook** and **Shopify** lead the way.

But with \$100 billion market caps, those businesses are already on the radar of most investors. The trick is to find smaller stocks capable of even bigger [growth](#).

The two picks below range in size between \$3 billion and \$33 billion. Long term, both of them have the potential to double, triple, or even quadruple in size. Due to market inefficiencies, much of that upside could be experienced over the short term.

If you're looking for tech stocks with 40% upside this year, this list is for you.

Experience a radical transformation

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) is a smartphone company. Or is it?

You may be surprised to learn that the company didn't manufacture a single smartphone in 2019. It's exited the industry entirely. But with a \$3 billion market cap, the company must do something, right?

Today, BlackBerry is all about cybersecurity software. This should make it one of the hottest tech stocks on the market. Some of its peers trade as high as 30 times sales.

But alas, the market hasn't caught on yet. BlackBerry stock still trades at just three times sales, a significant discount to its peer group. This year, that discount could narrow quickly.

BlackBerry has already proven an ability to create world-class cybersecurity software. Its QNX platform, which secures vehicles from hacking, is installed in nearly 200 million cars worldwide. Its Cylance division, meanwhile, uses artificial intelligence to detect threats *before* they happen.

BlackBerry has the tech to drive rapid sales growth, yet the market still values this as a hardware

stock. As the fundamentals catch up over the next quarter or two, expect BlackBerry's valuation to rise commensurately.

This tech stock dominates

Unlike Blackberry, **Constellation Software** ([TSX:CSU](#)) never went through a business transformation. It's been doing the same thing year after year for more than two decades. That's led to immense riches for long-term shareholders. An \$11,000 investment in 2006 would be worth \$1 million today.

But Constellation isn't done yet. Since its founding, the company has averaged returns on invested capital of around 30%. And despite growing into a \$33 billion business, the return profile has stayed [intact](#).

The secret here is that Constellation isn't just any tech stock. This company has a *very* unique business model.

As its name suggests, Constellation is involved in software. It focuses on niche software that enables mission-critical processes. The niche component reduces competition, increasing pricing power while improving customer retention. The mission-critical aspect means that customers are hesitant to switch to an alternative. That only exacerbates the company's power over customers.

Right now, this tech stock is priced at a premium valuation of 73 times earnings. But good stocks are *always* expensive. In 2015, for example, CSU stock was priced at 75 times earnings. But over the next five years, shares tripled in value.

Constellation has a proven business model capable of generating incredible gains for long-term stockholders. All it has to do is continue business as usual. An average year would suggest another 40% in further upside.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:CSU (Constellation Software Inc.)

PARTNER-FEEDS

1. Business Insider
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Author

rvanzo

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