



2 Cheap TSX Tech Stocks to Buy Right Now

Description

The pandemic has fastened the digitization process. Businesses of all sizes are also taking their shops online. As well, the shoppers prefer online services, given the convenience and safety amid the COVID-19 outbreak. This shift toward digitization has increased the demand for products and services provided by software companies, thus driving up their stock prices.

However, some tech companies have failed to participate in the rally and are available at an attractive valuation. In this article, we will look at two such companies, **CGI Group** ([TSX:GIB.A](#))([NYSE:GIB](#)) and **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)).

CGI Group

CGI Group, which employs over 77,500 consultants and professionals worldwide, provides end-to-end business solutions for its clients, thus optimizing their operations. The company has delivered over 140% of its returns in the last five years at a compound annual growth rate (CAGR) of 19.3%.

However, the company's stock has lost over 15% of its value this year. Amid the pandemic-infused lockdown, the demand for the company's services — primarily the manufacturing and retail and distribution sectors — declined, causing its stock price to fall. In its [third quarter](#), which ended on June 30, the company's top-line fell over 2.2%, while its adjusted EBIT declined by 5.5%.

Meanwhile, the company's book-to-bill ratio improved from 88.9% in the previous quarter to 93.1%, indicating an improvement in the demand for the company's services. As the economic activities beginning to pick up after the pandemic-infused lockdown, I expect the demand to rise further.

Meanwhile, CGI Group also focuses on acquisitions to expand its business. Since December 2019, it has completed the acquisitions of SCISYS Group, Meti Logiciels et Services SAS, and TeraThink Corporation for approximately \$276 million.

At the end of its third quarter, the company's cash and cash equivalents stood at \$1.37 billion. So, the company is not only well capitalized to ride out this crisis, but also fund its future acquisitions.

Currently, the company trades at an attractive forward price-to-earnings multiple of 18.1 times. So, given its strong balance sheet, improving growth prospects, and attractive valuation, I believe investors with a long-term perspective should buy the stock for higher returns.

BlackBerry

BlackBerry, which provides security software solutions to companies across various sectors, has lost close to 19% of its stock value this year. The disruptions caused by the pandemic outbreak on its end markets, such as the automotive industry, has dragged the company's financials and its stock price down.

In its recently completed first quarter, the company's adjusted revenue fell 19.9% on a year-over-year basis. Its adjusted gross margin also contracted from 74.5% to 71.5%. However, the auto sector is beginning to recover with the resumption of production after the lockdown.

Meanwhile, it will take some time to ramp up the output to full capacity. Company management therefore expects a slow and gradual recovery in its auto segment this year. For the next five years, the management is hopeful of beating the 11% CAGR growth estimated by McKinsey for automotive operating systems and middleware over the next ten years.

With the surge in remote working and even businesses moving their shops online, the threat of cyber-attacks has increased. BlackBerry's management also expects the roll-out of the 5G service could further increase the attacks on mobile endpoints.

I believe the demand for data safety and privacy solutions to grow multi-fold in the future, thus benefiting BlackBerry. Despite its robust growth prospects, the company currently trades at an attractive forward enterprise value-to-sales multiple of 2.7.

So, given its impressive growth prospects, strong liquidity position, and attractive valuation, I believe [BlackBerry will deliver excellent returns in the long term](#).

CATEGORY

1. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. NYSE:GIB (CGI Group Inc.)
3. TSX:BB (BlackBerry)
4. TSX:GIB.A (CGI)

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Author

rmanjapla

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