Investing $1,500 in These 3 Tech Stocks Would Be a Brilliant Move for Your TFSA

Description

Tech stocks witnessed immense selling pressure in the past couple of days in what can be seen as fatigue after the sprint. The majority of tech stocks witnessed a massive rally in 2020, as they proved to be more durable than stocks in any other sector. However, with a strong run, profit booking was expected.

While the Canadian information tech index dropped about 7% in the past two trading days, shares of **Docebo** (TSX:DCBO), **Kinaxis** (TSX:KXS), and **Absolute Software** (TSX:ABT) fell over 10%. The recent drop provides an excellent opportunity for long-term investors to buy and hold these high-flying tech stocks. Further, if the investment is made through your Tax-Free Savings Account (TFSA), you benefit the most, as capital gains are tax-free.

So, if you haven't maxed out your 2020 TFSA limit (which is $6,000), investing $1,500 in these tech stocks would be a brilliant move for your portfolio in the long run.

Docebo

Docebo stock is on a tear in 2020, rising about 181% year to date. However, its shares cracked over 14% in the past two trading days, providing a good entry point. Investors should note that Docebo is benefiting from the growing demand for corporate e-learning solutions. Meanwhile, the pandemic accelerated the demand further.

Investors should note that the demand and the utilization rate of Docebo's platform are likely to remain high, even in the post-pandemic phase due to the large corporate e-learning market, providing ample room for growth. Meanwhile, its ability to acquire new customers further strengthens the bull case.

In the most recent quarter, Docebo's customer count increased by 24% year over year, while its average contract value increased by an impressive 25%.

With strength in its base business and swift addition of new customers, Docebo is likely to post a robust set of financial numbers in the coming quarters, which could continue to propel its stock higher. Investors shouldn't worry much about its high valuation, as Docebo's high growth warrants high multiples.

Absolute Software

Similar to Docebo, shares of Absolute Software also took a beating and fell 11.6% in the past two trading days. However, with rising cybersecurity threats and structural shift towards working from home and distance learning, the demand for its security and data risk-management solutions should remain elevated in the long run, driving its stock higher.

The company's commercial recurring revenues represent nearly 96% of its total revenues and are growing at a healthy pace, which is encouraging. Its high retention rate and lack of direct competitors should further fuel future growth.

Despite the year-to-date growth of over 70%, Absolute Software's forward EV-to-sales ratio of 3.8 looks attractive.

Kinaxis

The recent 11% pullback in Kinaxis, presents an attractive opportunity to buy its stock for the long term. Kinaxis has consistently generated stellar returns for its investors. For those who don't know, Kinaxis stock is up over 90% year to date. Moreover, Kinaxis shares have gained about 420% in five years.

The solid growth in Kinaxis stock is backed by the sustained momentum in its base business. The company's supply chain management software continues to witness strong demand, driving its stock higher. Meanwhile, recent acquisitions are likely to accelerate its growth further in the coming years.

I believe Kinaxis will continue to report strong revenues and cash flows in the coming years, which should lend support to its stock. Meanwhile, its strong order backlog suggests solid performance in the near term.

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. TSX:ABST (Absolute Software)
2. TSX:DCBO (Docebo Inc.)
3. TSX:KXS (Kinaxis Inc.)

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