Should You Buy High-Growth Tech Stocks After Their Recent Pullbacks?

Description

The S&P/TSX Composite Index has rallied over 40% since bottoming out in March, driven by the stimulus and optimism over the reopening of the economy. However, the index has fallen approximately 3% in the last two trading days, as weak economic indicators and geopolitical tensions are beginning to weigh on the stocks.

The tech stocks, which had seen a strong run in the past few months, were hit hard in the last few days. With many industry experts saying that the focus has shifted from high-growth stocks to value stocks, should you be buying these high-growth tech stocks right now?

I believe long-term investors should not worry about these short-term setbacks. The structural shift to e-commerce and increased remote working and learnings are going to act as a tailwind for the tech companies in the years to come.

So, I believe investors should utilize the pullback to buy stocks with high-growth potential for greater returns. Meanwhile, here are the three tech stocks that I think investors should buy after the recent pullback.

Real Matters

My first pick is **Real Matters** (TSX:REAL), which services mortgage lenders and insurance companies through its proprietary platforms and network management capabilities. The surge in refinancing activities amid the lowering of interest rates by the central banks in the United States and Canada has led to a rise in the demand for the company’s services, thus driving its stock price.

However, after the recent pullback, the company currently trades over 22% lower from its 52-week high of $33.01. With economic indicators still weak, the central banks will not be in a hurry to raise the interest rates, which could benefit the company. Also, the company has been able to acquire new clients and expand its market share by providing faster and reliable service to its client through its proprietary technology platforms and its relationship with field professionals.

Further, the recent decline in Real Matters's stock price has also dragged its valuation down. Currently, the company trades at a forward price-to-earnings multiple of 28.8. For a company which had recently reported an adjusted EPS growth of 50%, the valuation looks attractive. So, given its growing addressable market, competitive advantage, and attractive valuation, Real Matters is a buy at these levels.

Kinaxis

Kinaxis (TSX:KXS) is my second pick. It provides cloud-based supply chain management solutions. These solutions help companies in making better and quicker decisions, thus making them agile. The growth in e-commerce sales amid the pandemic has led to an increased demand for its services.

In its second quarter, Kinaxis's revenue grew over 45%, while its adjusted EBITDA had increased by over 94%. Further, the company's management has increased its revenue guidance for this fiscal. Apart from internal growth, the company also acquires new ventures to expand its footprint.

In July, it completed the acquisition of Rubikloud, which provides artificial intelligence-based demand-planning solutions for the retail and CPG companies. So, the company's growth prospects look impressive.

After the recent pullback, the company currently trades over 15% lower to its 52-week high, thus providing an excellent entry point for long-term investors.

Absolute Software

My third pick is a cybersecurity company **Absolute Software** (TSX:ABT), which provides data management and security services. Amid the surge in remote working and learnings, the demand for the company's services has increased, driving its top- and bottom-line numbers.

In its recent quarter, Absolute Software's revenue grew 7.5%, while its diluted EPS increased by 33.3%. Also, the company's outlook looks robust, given the structural shift towards remote working and rise in data breaches and cyberattacks. Gartner has projected the cybersecurity business to grow to US$190 billion by 2023, which includes US$56 billion coming from endpoint security.

The company, which has delivered more than 50% returns for this year, is currently trading over 12% lower from its 52-week high. The recent pullback makes the company an attractive buy, given its impressive growth factors and improving margins.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:ABST (Absolute Software)
2. TSX:KXS (Kinaxis Inc.)
3. TSX:REAL (Real Matters Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Investing
2. Tech Stocks

Tags

1. Editor's Choice

Date
2025/07/02
Date Created
2020/09/07
Author
rnanjapla