



2 TSX Tech Stocks to Buy and Hold Forever

Description

The pandemic has hastened the digitization process. Now, more people prefer to work, learn, and shop from their homes, which has led to an increase in the demand for products and services offered by the tech companies, driving their stock prices higher. However, tech companies are under pressure this month amid profit booking and concerns over their high valuations.

Meanwhile, if you are a long-term investor, you should utilize this dip to accumulate high-quality tech stocks for higher returns. Here are the two tech stocks with strong growth potential.

Lightspeed

Amid the pandemic, many small- and medium-scale retailers took their shops online. So, **Lightspeed POS** ([TSX:LSPD](#)), which provided POS (point-of-sale) services to physical stores, started to offer omnichannel solutions by augmenting the physical stores with online and digital strategies to meet the changing need of its customers.

These new offerings helped the company increase its customer base from 75,500 at the end of April to 77,000 as of June 30, amid the challenging environment. Its revenues in the recently completed first quarter grew over 50% on a year-over-year basis to \$36.2 million, with its recurring software and payments segment contributing more than 90% of it. Meanwhile, the company is yet to become profitable.

The increased demand for its products and service and its impressive second-quarter sales have led the company's stock price to rise over 290% from its March lows. However, I believe the rally in its stock price is not over yet.

Amid the shift towards omnichannel platforms, the demand for Lightspeed's services will be sustained for many years. The company also recently [launched](#) eCom for Restaurant, which enables customers to reserve a table or order food online. The easy-to-set up and highly customizable website would also help restaurateurs maintain their relationships with customers.

Meanwhile, the company has raised over US\$330 million through its IPO in the United States. The company's management plans to utilize the proceeds to strengthen its financial position and pursue its growth strategies.

I believe the company will use the capital to acquire its competitors to increase its market share, customer base, and global outreach. So, given its impressive growth prospects, I believe [Lightspeed would be an excellent buy for long-term investors](#).

Constellation Software

My second pick is **Constellation Software** ([TSX:CSU](#)), which acquires and manages businesses that provide mission-critical software solutions. In the last five years, the company's revenue and EPS have grown at a CAGR of 15.9% and 26.6%, respectively. Supported by strong fundamental growth, its stock price has increased by over 265% from 2015 to 2019.

This year, the company has returned over 18%, outperforming the broader equity markets. Meanwhile, I believe the company's upward momentum will continue, given its low-risk and resilient business model.

Currently, Constellation Software owns a diversified portfolio of 260 small companies serving over 100 specific markets. Also, it earns approximately 67% of its revenue from public sector customers, which are immune to economic downturns. Despite the pandemic, its revenue grew by over 13% to \$1.88 billion in the first two quarters of this year.

Meanwhile, the company generated \$597 million from its operating activities in the first two quarters, which exceeded its spending on new acquisitions and dividends. At the end of the quarter, the company's cash position stood at \$585 million. So, Constellation Software is well positioned to not only ride out this crisis but also acquire new businesses, supporting its growth.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)
2. TSX:LSPD (Lightspeed Commerce)

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Author

rnanjapla

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