



3 High-Growth Tech Stocks to Buy After the Recent Pullback

Description

The Canadian equity markets are under pressure in the last few days, with the **S&P/TSX Composite Index** falling 5.5% since October 15. Investors fear that the rising COVID-19 cases worldwide could prompt many countries to implement restrictions and hamper the economic recovery.

The weakness in the broader equity markets has weighed heavily on high-growth tech stocks, which are currently available at a discount. So, I believe long-term investors should utilize this pullback to accumulate the following three tech stocks for superior returns.

Lightspeed POS

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) provides cloud-based software solutions, including e-commerce, payments, customer engagement, and analytics, for SMBs (small- and medium-scale business). With many SMBs taking their businesses online amid the pandemic, the need for the company's services rose. In its June ending quarter, its customer base increased by over 50% on a year over year basis to 77,000, while its gross transaction value grew by 17%.

Meanwhile, Lightspeed POS still has significant scope for expansion. AMI Partners [projects](#) that there are currently 47 million retailers and restaurants worldwide, which are the company's potential customers. Further, the company has raised US\$330 million from an IPO in the United States. So, the company has adequate capital to make acquisitions to expand its customer base and market share.

Amid the recent pullback, Lightspeed POS's stock price has declined 15.8% from its 52-week high of \$49.94. It currently trades at a forward enterprise value-to-sales multiple of 17.3, which is on the higher side. However, given its higher growth prospects, I believe investors with a longer horizon could [buy the stock for superior returns](#).

Real Matters

Real Matters ([TSX:REAL](#)) provides technological solutions for mortgage lenders and insurance

companies. Amid the pandemic-infused slowdown, the United States and Canada's central banks had lowered their interest rates to historically low levels. The low interest-rate environment increased refinancing activities, driving the volumes on the company's platforms.

In its third quarter, which ended on June 30, Real Matters's net revenue grew 52.7%, while its adjusted EBITDA increased by 101%. Further, through its strong network capabilities and proprietary platforms, the company is expanding its customer base and market share. Its client base includes 60 of the top 100 mortgage lenders. Also, the company has a high retention rate of 95%.

Amid the recent fall, the company currently trades 28.8% lower than its 52-week high of \$33.01. The decline in the stock price has also dragged its valuation multiple down. The company's forward price-to-earnings stands at 26.1, which looks attractive for a company, with its earnings growing at over 190%.

Dye & Durham

Dye & Durham ([TSX:DND](#)) provides cloud-based software solutions to improve legal and business professionals' efficiency and productivity. Boosted by its strong fundamentals, the company has returned 189% since its IPO in July.

In the last four years, its revenue has grown at a 65% CAGR, while adjusted EBITDA rose at a rate of 107%. The acquisitions, along with organic growth, drove the company's financials and has made 14 acquisitions since 2013. The company has over 25,000 clients with a low customer churn rate of 2%. Meanwhile, its top 100 clients have an average tenure of 16.6%, which is encouraging.

Further, the company's management projects its addressable market in Canada and the United Kingdom to be \$1.1 billion and \$900 million, respectively. So, the company has considerable potential to expand its business. The company is currently trading over 24% lower than its 52-week high, which provides an excellent entry point for long-term investors.

CATEGORY

1. Tech Stocks

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:DND (Dye & Durham Limited)
3. TSX:LSPD (Lightspeed Commerce)
4. TSX:REAL (Real Matters Inc.)

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Date

2025/08/20

Date Created

2020/10/29

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