



3 Undervalued Tech Stocks to Buy Right Now

Description

The pandemic has hastened the digitization process. Amid the pandemic, businesses of all types and sizes are taking their shops online. Further, people prefer to work, shop, and learn from their homes, given the convenience and safety amid the COVID-19 outbreak. The digitization process has increased the demand for technology companies' products and services, thus driving their stock prices.

However, some tech companies are still feeling the heat of COVID-19 and are available at attractive valuations.

Open Text

Open Text ([TSX:OTEX](#))([NASDAQ:OTEX](#)), which provides information management solutions to improve productivity and provide a competitive advantage to its clients, has lost over 14% of its stock value this year. In its June-ending quarter, the company's EPS had declined by 63% amid the increased R&D (research and development) expenses, payroll and payroll-related benefits, and restructuring activities due to its recent acquisitions.

However, after removing special items or one-time expenses, its adjusted EPS increased by 11.1%. Further, Open Text has reported a top-line growth for six consecutive years. It has 89 of the 100 world's largest companies as its clients. The company's ARR (annual recurring revenue) stood at 78.2% in 2020, while its renewal rates stood at mid 90%. Its adjusted EBITDA margin was at 36.9%.

The company's outlook also looks healthy. The management [expects its ARR to increase](#) to 80-82% in 2021, while its adjusted EBITDA margin could increase to 37-38%. The decline in Open Text's stock price has dragged its valuation into an attractive territory. Its forward price-to-earnings multiple currently stands 12.5. Given its attractive valuation and healthy growth prospects, I am bullish on Open Text.

BlackBerry

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) has lost over 28% of its stock value. The company's exposure to the automotive industry, which was severely hit by the pandemic, has weighed heavily on its stock price. However, the company had reported better-than-expected performance in the second quarter, which ended in August.

The strong performance from its security software products and patent licensing businesses drove the company's top line. Since its launch in May, the Spark Suite platform's demand has been strong and has helped the company get many blue-chip clients. BlackBerry has also recently introduced its Guard platform in the Managed Detect and Respond Services (MDR) segment, which has the potential to reach US\$2 billion by 2024 as per Frost & Sullivan's estimates.

Further, the BTS (BlackBerry Technology Solutions) segment has shown some improvement, with the resumption of production in the automotive sector. The management is hopeful that the segment could return to its pre-pandemic levels by early next year. With its improving growth prospects, I believe [BlackBerry could deliver superior returns](#) in the long run.

CGI Group

CGI Group ([TSX:GIB.A](#))([NYSE:GIB](#)) has lost close to 24% of its stock value this year. Amid the weakness in the manufacturing and retail and distribution sectors, the demand for the company's services had declined. In its June ending quarter, the company's top line had fallen by 2.2%, while its adjusted EPS contracted 3.3%.

Meanwhile, CGI Group's book-to-bill ratio improved from 88.9% to 93.1% during the third quarter, indicating an increased demand for its services. Amid the reopening of the economy, the recovery in the retail and distribution, and manufacturing sectors could drive the company's financials. Further, the company generates 65% of its revenue from the government, communications and utilities, and healthcare sectors, which are stable markets.

Amid the decline in the company's stock price, its valuation looks attractive. The company currently trades at a forward price-to-earnings multiple of 16.3 and a forward enterprise value-to-sales ratio of two. Given the attractive valuation and improving demand for its services, I believe CGI Group could be an excellent buy.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. NYSE:BB (BlackBerry)
3. NYSE:GIB (CGI Group Inc.)
4. TSX:BB (BlackBerry)
5. TSX:GIB.A (CGI)
6. TSX:OTEX (Open Text Corporation)

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