



3 Canadian Tech Stocks That Can Outperform Markets This Year

Description

The tech sector outperformed the broader equity markets last year. The pandemic-infused lockdown led many companies to move their businesses online, increasing the demand for tech companies' services and products. Meanwhile, here are the three tech stocks that could continue their upward momentum and beat the markets this year.

Lightspeed POS

Lightspeed ([TSX:LSPD](#))([NYSE:LSPD](#)) had an excellent 2020, with its stock price increasing by over 160%. As small- and medium-scale retailers and restaurant operators moved their businesses online, the demand for Lightspeed's products and services rose, driving its financials and stock price.

At the end of its [recently announced quarter](#), Lightspeed's omnichannel solutions were implemented in around 80,000 locations, representing year-over-year growth of 40%. Further, its GTV (gross transaction value) over the last 12 months had increased by over 51% to \$26.1 billion.

The uptake in the company's payments remains strong, with Lightspeed Payments processing around 10% of the United States's retail GTV in the final week of its September-ending quarter. Further, the GTVs on its recent launches, the Payments for the retail sector in Canada and the hospitality sector in the United States, is also improving.

The demand for Lightspeed's services could sustain, given the structural shift towards online shopping, a large addressable market, and the company's innovative portfolio of products and solutions. Meanwhile, the company earns over 90% of its revenue from recurring sources, which is encouraging.

Given its strong financial position, the company is also focusing on acquisitions to expand its operations. Recently, it completed the acquisitions of Upserve and ShopKeep. Given its high-growth prospects, [I am bullish on Lightspeed despite its high valuation](#).

Constellation Software

Driven by its strong fundamentals, **Constellation Software** ([TSX:CSU](#)) has returned over 3,000% in the last decade. The company, which acquires and manages small software companies with a dominant market share in specific markets, has a portfolio of over 260 companies operating across 100 markets. Its diversified portfolio and significant exposure to public sector companies insulate its financials from economic downturns.

The fastening of the digitization process and the uptick in economic activities amid the multiple rollouts of the vaccine could drive the demand for Constellation Software's products and services in the coming quarters. Meanwhile, with its cash and cash equivalent of \$565 million and access to \$700 million credit facilities, the company is well-positioned to carry out its future acquisitions, which could drive its growth in the coming years.

Besides, Constellation Software currently pays quarterly dividends of \$1 per share, representing a dividend yield of 0.2%.

Docebo

Amid the pandemic-infused lockdown, many people preferred to work and learn from their homes, thus driving the demand for **Docebo's** ([TSX:DCBO](#))([NASDAQ:DCBO](#)) services. The company's top line grew by 52% in its September-ending quarter, driven by expansion in its customer base and higher average contract value.

Its customer base increased from 1,632 to 2,025 in the last four quarters, while its average contract value increased by 24.9%. These strong fundamentals led the company's stock price to rise 347.9% last year.

Meanwhile, with businesses looking to upskill their employees amid the changing business environment, the demand for Docebo's services could sustain in the post-pandemic world. E-learning solutions provide a cost-effective and convenient mechanism for learning and developmental support, as the employees could still carry out their day-to-day activities.

Further, Docebo's multi-year contracts, significant subscription revenues, and higher retention rates are highly encouraging. The company is also looking at acquisitions to expand its business. So, I expect the upward momentum in Docebo's stock price to continue in 2021.

CATEGORY

1. Investing
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TICKERS GLOBAL

1. NASDAQ:DCBO (Docebo Inc.)
2. NYSE:LSPD (Lightspeed Commerce)
3. TSX:CSU (Constellation Software Inc.)

4. TSX:DCBO (Docebo Inc.)
5. TSX:LSPD (Lightspeed Commerce)

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