2 Top TSX Tech Stocks to Buy Now on a Pullback

Description

Most of the Canadian tech stocks went through the roof and delivered exceptional returns in 2020, thanks to the structural shift in the way we work, shop, and learn. The pandemic-led lockdowns acted as a catalyst and provided a strong base for growth.

However, tech stocks witnessed selling in the recent past and surrendered some of their gains, which I believe is partly due to their stretched valuations and expectations that the tech stocks might lose steam as lockdown measures ease and the economy returns to normal.

Whichever scenario, I see the pullback in these high-growth tech stocks as a buying opportunity for long-term investors to generate outsized growth.

Real Matters

Real Matters' (TSX:REAL) tech-based platform supports mortgage lending and insurance industries. Thanks to the lower interest environment, mortgage refinancing volumes surged and drove demand for Real Matters' products and services. The company impressed with its exceptional operating performance and surpassed most of its FY21 targets.

Despite its strong operating performance, market share gains, and sectoral tailwinds, Real Matters stock lost about 42% of its value since August 2020. The decline reflects the deceleration in its growth rate on a sequential basis. Notably, Real Matters reported net revenue growth of about 79% in the second quarter of 2020. However, its net revenue growth slowed down to 52.7% in Q3 and 36.6% in Q4.

While its growth rate decelerated, I believe the low interest-rate environment is here to stay, driving strong volumes growth and supporting its revenues and margins. Real Matters stock is trading at the next 12-month P/E ratio of 30.1, which looks attractive as it is likely to deliver strong double-digit growth in its bottom line.

Favourable industry trends, large addressable market, and blue-chip customer base position it well to deliver strong revenues and earnings, supporting the uptrend in its stock.

Dye & Durham

Dye & Durham (TSX:DND) has decreased by about 25% from its 52-week high, providing an excellent opportunity for investors to accumulate this high-growth stock. The temporary closure of courthouses and fear of stricter lockdowns weighed on the Dye & Durham stock. However, I believe its strong fundamentals and recent acquisitions provide a strong underpinning for growth.

Dye & Durham has multiple growth vectors that are likely to drive its business, and one of them is its ability to acquire fast-growing companies. The company acquired 19 companies since 2013, which accelerated its revenue and adjusted EBITDA growth. Meanwhile, its strong balance sheet and increased cash and debt capacity suggest that it could continue to accelerate its growth rate through opportunistic acquisitions.

Notably, its underlying business remains strong, as reflected through the diversified and growing customer base. Dye & Durham has over 25,000 active customers, none of which account for more than 2% of its total revenues, which is encouraging. Further, its increased penetration into the blue-chip customer base, low churn rate, and long-term bodes well for future growth.

Bottom line

The pullback is an excellent opportunity for long-term investors to start buying the shares of these tech companies. Both these companies have strong fundamentals and growth catalysts to deliver multi-fold returns.

CATEGORY

1. Coronavirus
2. Tech Stocks

TICKERS GLOBAL

1. TSX:DND (Dye & Durham Limited)
2. TSX:REAL (Real Matters Inc.)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Tech Stocks

Date
2025/07/03
Date Created
2021/01/26
Author
snahata