



2 SaaS Stocks to Buy in a Market Correction

Description

Software-as-a-Service (SaaS) stocks have been riding high over the last year. Much like cannabis bubble a few years ago, it almost didn't matter what the company focused on. If it was an SaaS stock, it rose. But that likely means if there is a market correction, these stocks will fall.

This could be the perfect opportunity to pick up long-term holds you've been eyeing over the last year. So, let's look at two perfect options to consider.

BlackBerry stock

You might think of **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) as more of a tech stock, but the company completely transformed to become a SaaS provider. Its QNX software is in many autonomous vehicles, and it recently partnered with **Amazon** Web Services to create a better cloud experience in vehicles. It also provides data protection through its artificial intelligence-powered endpoint security, supported by its acquisition of Cylance a few years ago. These two areas mean it is securely in the SaaS field.

Yet nothing new has really happened for the company itself lately. Recent movement comes from the settlement of a patent dispute with **Facebook**, and the announcement of President Joe Biden that the federal government would be investing in electric vehicles. Many of these vehicles use BlackBerry's software, so this could be a major boost for the company.

Yet shares are overvalued at this point. The next 12 months could mean a price-to-earnings ratio (P/E) of 144! The last 12 months have a earnings value over sales (EV/sales) of 8.2, so, again, shares are pricey at best. While those shares are up 87% in the last year, there was a [drop](#) of almost 40% in the last week. So,1 maybe wait for some stabilization before investing in this stock.

Kinaxis stock

Kinaxis ([TSX:KXS](#)) is a king among SaaS stocks. The company deals with enterprise companies

around the world, with not one of its clients taking up more than 5% of its portfolio. This diversity means the company has an incredibly secure revenue stream for investors looking to get into SaaS stocks.

Its supply chain management system is powered by artificial intelligence, and it's an industry that pretty much any large company will need. This provides endless room for growth for the company. While the company is still pricey, with a P/E ratio of 166 and EV/sales of 15.9, its had the revenue to back it up, and a gross margin of 71% to take it even further.

So, while momentum might be moving this stock, with shares up 71% this year [alone](#), the stock is a solid long-term investment for those looking to get into SaaS stocks.

Bottom line

SaaS stocks are here to stay. You simply have to find companies that have strong fundamentals with revenue that will continue to come in for decades. While BlackBerry stock has a strong near-term future with the investment in electric vehicles, I'd choose Kinaxis any day. The recurring revenue coming from large companies around the world means you can look forward to cash flow for decades to come.

CATEGORY

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TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:KXS (Kinaxis Inc.)

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Date

2025/08/25

Date Created

2021/02/06

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