Buy the Dip: 2 Attractive Beaten-Down Tech Stocks

Description

The tech sector has declined in recent weeks. Astute investors could consider bargain-hunting now that valuations are more attractive. With that in mind, here are my top two bargain tech stocks for the months ahead.

Tech stock 1

Nuvei (TSE:NVEI) doesn't get a fraction of the attention its rivals. It's a larger and older player in a sector that's seen a flood of capital recently. Economies of scale should allow the company to handle more transactions and squeeze out better margins. However, investors seem to have simply overlooked it in favor of companies with better marketing.

Nuvei's market capitalization is $11 billion at the time of writing. Meanwhile, its closest Canadian rival **Lightspeed POS** is worth the same, but handles fewer transactions. Down south, payment tech stocks are worth well over $100 billion.

Analysts have upgraded their forecasts for the company. They now predict US$592m in revenue and US$0.81 in earnings per share in 2021. That means the stock is currently trading at a *forward* price-to-earnings ratio of 85. A fair valuation, given the environment for tech stocks.

This is probably why Nuvei stock is up over the past month, despite the bear market in the rest of the tech sector. The stock is also fundamental more attractive than its counterparts, which makes it a better buy.

Tech stock 2

Kinaxis (TSX:KXS) has taken a significant hit, tumbling by more than 50% from record highs after a blockbuster 2020. Amid the sell-off, the stock is still up by more than 20% over the past 12 months. The sell-off has been chiefly fuelled by concerns that the company could post less revenue in 2021.

According to Chief Executive Officer John Sicard, they have made strategic investments that should help support and fuel growth in the years to come. Likewise, the executive expects current momentum to continue translating to a positive outlook for higher growth in 2022 and the years to come.

Going by the management bullishness, it is becoming increasingly clear that the cloud-based subscription software company is trading at a great discount after the recent 50% plus plunge. The plunge came despite the company posting impressive results that affirmed resiliency and growth in the core business.

Double-digit growth

In the most recent quarter, Kinaxis's software as a service revenue was up 24% to $39.8 million and up 25% for the entire year. SaaS revenue makes up 80% of its total revenue, with management expecting it to increase by between 17 to 20% in 2021.

The company putting up double-digit growth numbers in the core business underscore why the stock should not be trading at current levels. Since 2014, total revenue growth has averaged 20%, affirming why it is a fast-growth stock.

Over the past five years, Kinaxis earnings have grown at compound earnings per share of 12%. In contrast, its share price has posted a 34% average annual increase suggesting investors hold the stock in high regard.

Given the strong demand for its artificial intelligence solutions that hint at revenue growth going forward, Kinaxis' strong run should continue.

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2. TSX:NVEI (Nuvei Corporation)

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