3 Tech Stocks You Can Buy at a Discount

Description

When the market crashed in 2020, tech was the first sector to recover. And it didn't just recover; it built enough momentum to spur the market to recovery, which is impressive considering the size of the tech sector and its relative "weight" compared to heavyweight sectors like financials and energy.

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That was last year. In 2021, tech has been a relatively disappointing sector. Now that the market is continuing on a path to a more "wholesome" recovery, the tech is no longer leading the stock market growth. The sector has lost its momentum, and several underlying stocks are currently "normalizing." The silver lining is that you can buy some tech stocks at a relative discount.

A supply chain management software company

Kinaxis (TSX:KXS) was one of the stocks that skyrocketed after the 2020 crash. It grew about 121% in about eight months. It started running out of momentum in October last year. But even if you consider its year-to-date valuation, the company is trading at an 11% discount. It's still aggressively overvalued, but if that's as low as it will fall before resuming its historical growth pattern, then it might be an opportunity worth considering.

Supply chain management solutions are the forte of this software company. Its flagship platform, RapidResponse, is counted among the best supply chain management software, and it's now being empowered even more by the introduction of artificial intelligence for real-world problem solving.

An enterprise software solutions company

Enghouse (TSX:ENGH) is a Markham-based software company that focuses on enterprise-oriented software solutions. The company has two business segments: Interactive management and asset management. Both groups cater to different industries.

Enghouse is also a Dividend Aristocrat and has grown its dividends for 14 consecutive years. It offers a modest 1% yield. The stock grew almost as much between March 2020 and July 2020, as it did in the four years before the pandemic. It started dipping in July and has come down almost 23% from its 2020 peak. The year-to-date "discount" is in single digits, but this tech company is not nearly as overpriced as Kinaxis.

A learning management system company

The pandemic paved the way for several new technologies that allowed people to replicate their normal lives as much as possible during the pandemic. That included learning-related technologies, like the one offered by Italy-based **Docebo** (TSX:DCBO). The company grew its market value by over 640% between the market crash and its 2020 peak.

From the start of this year, the stock has come down by 24%. That's enough of a discount to consider a company that might have a bright future, as remote and from-home learning become a norm. The platform focuses on corporate clients looking for a learning management system to train their employees.

If the interest in remote work keeps growing, even after the pandemic is behind us, companies like Docebo might see more visitors/users flocking to their platform.

Foolish takeaway

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Tech companies have one inherent advantage over many conventional businesses, and it's their ability to adapt. Tech businesses tend to be more agile, and they evolve rapidly to cope with the ever-changing market conditions. That doesn't always translate to their market valuation or investors' capital growth, but it does make them more resilient compared to businesses that can't change fast enough.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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2. TSX:ENGH (Enghouse Systems Ltd.)
3. TSX:KXS (Kinaxis Inc.)

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Date
2025/08/22
Date Created
2021/04/21
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