Have $2,000? 2 Cheap Canadian Tech Stocks to Buy Now

Description

Shares of most tech companies listed on the TSX index went through the roof in 2020, as the pandemic accelerated the demand for their products and services. However, the expected normalization in growth rate and expensive valuations led to selling in top-tier tech stocks, providing a solid buying opportunity for long-term investors.

We'll focus on two such Canadian tech stocks that could continue to deliver robust growth irrespective of the easing of lockdown measures. Their two-pronged growth strategy, including organic growth and acquisitions, position them well to report solid double-digit growth in the top line. Notably, these stocks have witnessed a healthy pullback and are trading cheap at the current price levels.

Enghouse Systems

Shares of **Enghouse Systems** (TSX:ENGH) have appreciated over 1,110% in 10 years and made its investors very rich. The solid growth in its stock is backed by its stellar financial and operating performance. Meanwhile, strategic acquisitions bolstered its growth rate further and supported the uptrend in its stock.

Notably, Enghouse's revenues have grown at a CAGR of 10.4% in the past five years. Meanwhile, its adjusted EPS increased at a CAGR of 17.2% during the same period. Thanks to its high-quality earnings, Enghouse raised its dividends at a CAGR of 13.5% in the last five years.

Enghouse stock has decreased by about 35% from its 52-week high and is trading at a next 12-month EV/Sales multiple of 5.2. The stock is looking attractive at the current price levels and is offering good value. I believe the continued momentum in the base business, strong operating cash flows, no debt balance sheet, and strategic acquisitions are likely to support its revenues and EPS and drive its stock higher.

Dye & Durham

Dye & Durham (TSX:DND) stock skyrocketed after listing on the TSX last year. However, it has reversed some of its gains, providing a good buying opportunity. Its next 12-month EV/sales multiple of

8.5 is significantly below the historical levels. Meanwhile, its revenue and adjusted EBITDA continue to grow at a breakneck pace, which will likely drive its stock higher.

Notably, Dye & Durham's high-growth and high-margin business are performing exceptionally well, reflecting solid growth in the base business and benefits from its strategic acquisitions. Its diversified and large active customer base, increased revenues from the existing customers, and high retention rate suggest that the company is likely to deliver strong growth in the coming years.

Furthermore, its robust acquisition pipeline, growing international footprint, up-selling, long-term contracts, and revenue diversification are likely to support the uptrend in its stock. Dye & Durham's re-occurring revenues are growing at a CAGR of 97%. Meanwhile, the company projects its adjusted EBITDA to increase rapidly over the next two years and help the company to continue to pursue high-growth opportunities.

Bottom line

The two-pronged growth strategy of both these Canadian tech companies positions them well to outperform the benchmark index and deliver stellar returns consistently. I believe the recent pullback in these companies provides a solid buying opportunity. If you have $2,000 to invest, consider buying these high-growth companies at the current price levels.

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. TSX:DND (Dye & Durham Limited)
2. TSX:ENGH (Enghouse Systems Ltd.)

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