



## Top 3 Tech Stocks for 2021

### Description

[Tech stocks](#) have had a rough year. Many are trading far below their all-time highs, and there seems to be more pain ahead. However, some may have slipped below their fair value. Here are the top three tech stocks that should be on your watch list for 2021.

### Tech stock #1

**Topicus** ([TSXV:TOI](#)) is an excellent tech stock for investors seeking reliable growth at reasonable prices. The company buys and operates niche enterprise software firms across Europe. That means it has access to lower interest rates to borrow capital and better valuations for small startups it wants to acquire.

The company's Total Specific Solutions (TSS) segment operates over 109 business units in over 14 countries. Altogether, these niche business units serve over 44,500 enterprise customers. The portfolio is well diversified.

Topicus stock is already up 42% from its initial listing in February. Now, it's trading at a [price-to-free cash flow ratio of 16](#). Those cash flows could expand as Topicus further expands its footprint across Europe. Keep an eye on this underrated tech stock.

### Tech stock #2

Topicus's parent company **Constellation Software** ([TSX:CSU](#)) is tech stock you can always rely on. The Constellation team, led by veteran investor Mark Leonard, has successfully pulled off this growth-via-acquisition strategy over three decades. They've gobbled up over 300 niche software firms during that period, which has helped them create a \$41 billion juggernaut.

Unlike its European spin-off, Constellation seems like an overbought and overexposed name. The company's free cash flow available to shareholders (FCFA2S) surged to \$989 million last year. That means the stock is trading at a price-to-FCFA2S ratio of 41.4. That ratio is higher than Constellation's historic average.

However, this year the team made major announcements that could justify a higher valuation. Constellation will suspend the dividend and expand its investment horizon beyond vertical enterprise software. In other words, it could acquire non-software companies, which implies more room to grow.

This tech stock could soon be an investment conglomerate, much like Warren Buffett's famous holding company.

## Tech stock #3

Just like the other two names on this list, **WELL Health Technologies** ([TSX:WELL](#)) is a "consolidator." The team acquires and integrates smaller firms to expand the company's footprint. However, their focus is on telehealth providers.

WELL Health has already launched a virtual healthcare clinic and an online pharmacy. Over the past few years, it has acquired Canada's largest network of private clinics and deployed medical data management software for thousands of healthcare facilities.

This year, the team is focused on expanding across the United States. This expansion should unlock opportunities in a multi trillion-dollar market.

WELL Health's management expects to generate roughly \$400 million in revenue run rate this year. Meanwhile, the company is worth \$1.67 billion. In other words, it's trading at a forward price-to-sales ratio of 4.2 — below expectations for a healthcare software firm with double-digit growth. Add this to your tech stock watch list for 2021.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)
2. TSX:WELL (WELL Health Technologies Corp.)
3. TSXV:TOI (Topicus.Com Inc.)

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