3 Tech Stocks to Buy if the Sector Sees a Dip

Description

The tech sector across the border is experiencing a slight drop. It hasn't dropped far enough to cause panic yet, but it might just be a start. On the whole, S&P 500 grew, but the tech sector failed to keep up. The drop was led by **Amazon**, which fell about 10% in the last three weeks.

Currently, there is an indication that the trend will sweep across the border, and the S&P/TSX Capped IT Index is still quite strong. But if tech stocks do take a dip, you might be able to grab some good companies at a relatively bargain price.

While there are several good selections within the tech sector, there are three that should be on your radar.

A software and service company

Enghouse (TSX:ENGH) is a Markham-based software company that has been around since 1984. Its operations are divided into two groups: interactive management and asset management, each with two distinct divisions. The company offers solutions to a decent variety of industries, including transportation and public safety. Acquisitions are an important part of Enghouse's growth strategy.

Enghouse stock has experienced a 25% decline from its 2020 peak, and that's *after* the recent 12% growth from June 2021. The price-to-earnings ratio is at 33.5, which is quite reasonable compared to the general valuation trend in the tech sector. But if you want the valuation to drop further, you might consider waiting for the next dip.

An information management solutions company

If you are looking for a tech stock with modest but relatively reliable capital growth prospects, **Open Text** (TSX:OTEX)(NASDAQ:OTEX) is an option worth considering. The stock returned about 76% toits investors in the last five years, and it's one of the few tech stocks that offer dividends, albeit thecurrent yield is quite modest (1.48%).

The company is slightly overpriced (compared to other tech stocks), and unlike Enghouse, it's experiencing an upward momentum. However, a dip can make the stock more discounted and attractively valued. The company offers a wide variety of solutions to its consumers, including a cloud service, content management, and information management solutions.

A cloud-based solution company

Dye & Durham (TSX:DND) is not a new tech company per se, but it *is* new on TSX. It only started trading on the exchange about a year ago and has already grown over 200% since its inception on the exchange. This price hike came at the expense of an expensive valuation, and since it started trading *after* the 2020 crash, it's difficult to pinpoint whether its growth spurt was a by-product of sector-wide recovery or thanks to the company's own merits.

As a cloud-based solution provider, the company caters to only three industries: legal, financial, and government. The company recently received a buyout offer (in May 2021) at a significant premium to its then price. The offer hasn't been accepted yet, and the company is exploring other options as well. Currently, it's trading at just a 12.5% down from its all-time peak, but a dip can put on a much larger discount tag on the company.

Foolish takeaway

If you are planning on buying tech stocks, a sector-wide dip might give you several interesting options. Currently, different tech stocks are on different "normalization" phases. Stocks that grew too aggressively after the crash are still normalizing, while others that maintained their routine growth pace are still steadily climbing.

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