



3 Cheap Tech Stocks for October

Description

If you're looking for cheap tech stocks, you've got your work cut out for you. The past 10 years have taken both Canadian and U.S. tech names to record highs. It's gotten to the point where most of the FAAMG stocks are worth over a trillion dollars, and there are even some above \$2 trillion.

A natural consequence of this has been steep valuations. Most big U.S. tech companies trade for well over 30 times earnings and 10 times book value. And it's the same with Canadian tech stocks for the most part. When investors expect growth, they bid up stock prices at a rapid pace. It's just the nature of the beast.

Still, there is value to be found in the tech space. If you're willing to look at lesser-known tech names, you can find some real bargains. In this article, I'll explore three tech stocks that look like bargains today — two Canadian and one international.

Open Text

Open Text ([TSX:OTEX](#))([NASDAQ:OTEX](#)) is a [Canadian tech company](#) that produces an integrated digital information platform. Its products and services provide wide variety of features, including

- Content management
- AI & data analytics
- Digital process automation
- And more

It's a comprehensive suite of next-gen digital services for enterprises. And with Open Text, customers can get them all through one provider. This makes OTEX a valuable software supplier to big companies. Yet its stock is pretty cheap, trading at just 15 times adjusted earnings, four times sales, and three times book value.

BlackBerry

If you're looking for *relatively* cheap tech stocks, **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) arguably fits the bill. Unlike OTEX, BB is not a "true" value stock. Its price/sales ratio of 7.5 and price/book ratio of four are on the low end for tech stocks, but not low in the way you'd expect of banks or utilities. Also, the company [does not have positive earnings](#) for the most recent 12-month period.

What it does have in spades is potential. BlackBerry is involved in a number of innovative, next-gen businesses, including

- Cybersecurity
- Electric car software
- Logistics and supply chain
- IoT

I don't want to overplay the potential of these initiatives. BlackBerry's long-term revenue growth is negative, and this year is no exception to the trend. Still, its new products and services have potential. So, BB is a stock worth watching. For my money, though, it's not quite a stock worth buying.

Alibaba

Turning to stocks I *do* consider worth buying, we have **Alibaba Group** ([NYSE:BABA](#)). This is a tech stock that I have bought on several occasions and may buy more of in the future. At today's prices, BABA is a true value stock, trading at

- 16 times adjusted earnings
- 20 times GAAP earnings
- 3.8 times sales
- Three times book value

For tech stocks, you can't get much cheaper than this. BABA is growing revenue at 40% and operating income at 29%, yet it's barely more expensive than a utility stock. Of course, there is a reason for all this. With China's government cracking down on tech giants and **Evergrande** collapsing, there are a lot of risk factors facing Chinese stocks. In BABA's case, though, I think the risk is worth the reward.

CATEGORY

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