



## Cheap Yet Hot: The Rise of Tech Value Stocks

### Description

When you think of value stocks, tech probably isn't the first thing that comes to mind. With the rise of stocks like **Tesla** and **Roblox**, investors have gotten used to the idea of tech stocks being very expensive — not only in raw price, but relative to earnings. Tech has the potential to produce outsized growth, and with that comes inflated valuations.

Or so the theory goes. Tech stocks do indeed have higher-than-normal valuations — the NASDAQ 100 has a far higher P/E ratio than the Dow. But not all high growth tech stocks are extremely expensive. In fact, some of them are downright cheap. In this article, I will explore the phenomenon of “value tech stocks” and how some investors are increasingly betting heavily on them.

### Tech and value go hand in hand in China

If you want to know what a “value tech stock” is, look no further than China. Thanks to a government crackdown on tech companies, tech stocks in China have gotten very cheap. A great example of one such stock is **Alibaba** ([NYSE:BABA](#)). Alibaba is China's largest e-commerce company by market cap and by profit. By revenue, it is second to **JD.com**.

Basically, it's a giant of a company. And it's a fast-growing company, too. For the trailing 12-month period, its revenue growth rate was 40% — just as good as any FAAMG stock. Yet its valuation is actually pretty cheap. Trading at 16.5 times adjusted earnings, 20 times GAAP earnings, and 3.87 times sales, it's cheaper than most North American tech stocks. And while the Chinese tech crackdown could slow growth down a bit, it won't stop it completely. So, Alibaba is looking pretty solid these days.

### Controversial stocks

Another category of value tech stocks is controversial stocks like **Meta Platforms** (NASDAQ:FB). These are stocks that have great fundamentals but are being beaten down because of controversy.

Meta Platforms is the company that owns Facebook. As you've probably heard, Facebook has been at

the heart of many controversies recently. It has been accused of harming users' health, lying about teen usage statistics, and [allowing dangerous content on its platform](#). All of these are serious concerns. And Meta's stock dropped when they were covered in the media. The thing is, Meta's revenue still grew at 35% year over year in the most recent quarter — with truly astonishing 195% growth in non-ad revenue! In light of that, its controversy-fueled 23.5 P/E ratio looks truly tempting.

## One Canadian tech stock that also offers value

Chinese tech stocks under siege by their own government aren't for everyone. Nor are social media stocks [unironically referred to as "evil"](#) by many in the media. So, perhaps BABA and FB aren't for you. But as a Canadian investor, you might still be interested in grabbing some of this "value tech stock" action. If you are, then there's a Canadian tech stock you might want to consider:

**Open Text** ([TSX:OTEX](#))([NASDAQ:OTEX](#)). It's a Canadian tech company that produces a variety of different types of enterprise software. Currently, it trades at 14.8 times adjusted earnings, 44 times GAAP earnings, four times sales, and 15.5 times operating cash flow. Apart from the GAAP-based P/E ratio, these are pretty good value metrics. Yet OTEX is no slouch on growth. Its five-year CAGR growth rate in revenue is 13%, and the trailing 12 month period growth was 18%. Not bad at all. So, perhaps OTEX deserves to be mentioned in the same breath as FB and BABA — but without the controversy.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NASDAQ:META (Meta Platforms Inc.)
2. NASDAQ:OTEX (Open Text Corporation)
3. NYSE:BABA (Alibaba Group Holding Limited)
4. TSX:OTEX (Open Text Corporation)

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**Date**

2025/08/14

**Date Created**

2021/11/04

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