



2 Cheap Tech Stocks Rallying: Buy Before 2021 Ends!

Description

Here are two cheap tech stocks that are rallying but under the radar of most investors because they're small. **Sylogist** ([TSX:SYZ](#)) has a market cap of approximately \$311 million, while **Tecsys** ([TSX:TCS](#)) has a market cap of about \$731 million. Many investors ignore small-cap stocks because they're afraid to lose money. However, when these little tech stocks do something right, they will be ultra rewarding!

A little tech stock that can

The little tech stock is showing that it can do it. Sylogist stock has climbed 30% from a low in October. One analyst may be biased. But four have an average price target that suggests it could climb *another* 33% over the next 12 months from the recent quotation of \$13 per share.

The company had a major management change not too long ago. Specifically, independent directors at Sylogist [invited](#) Bill Wood to be the new CEO and president about a year ago. If management can show they can continue to execute on growth, the little tech stock will surely reward shareholders with a higher stock price.

So far, so good. Management is committed to the Rule of 40, which *Software Equity Group* explains as "a common metric used ... to measure the performance of [Software as a Service (SaaS)] companies. Measuring the trade-off between profitability and growth, the Rule of 40 asserts that a successful SaaS company's growth rate and profit margin should add up to 40% or more."

In fiscal 2021, Sylogist's recurring revenue was approximately 80% and EBITDA margin was 44%, which is a good start. As the above linked press release stated, the new management is expected to focus Sylogist's resources on "organic investments in its own [intellectual property (IP)] portfolio and on strategic acquisitions to leverage its IP platform and market position."

The [recent Sylogist stock price action](#) is a testimony that the company is heading in the right direction. If so, buyers of the stock now could be very well rewarded over the next few years. The tech stock also pays a dividend yield of 3.8% and has increased its dividend for 11 consecutive years.

Another tech stock that has rallied strong

After reporting its Q2 fiscal 2022 results in early December, the tech stock declined to \$44 and change per share. This attracted buy-the-dip investors to scoop up the cheap tech stock. Tecsyst just popped more than 11% from last Wednesday! However, analysts still think the small-cap stock is a good investment. Six analysts have an average 12-month price target that represents an upside potential of 29% from about \$50 and change per share.

Last Monday, Stephen Takacsy, the chief investment officer and portfolio manager at Lester Asset Management, had Tecsyst stock as one of his top picks on *BNN*:

"[Tecsyst's] been one of the top 30 best-performing stocks on the TSX for the past three years. They develop and sell end-to-end supply chain management software solutions, so they're right in the sweet spot with the current supply chain problems. [Its] main clients are health care networks in the U.S. and businesses with complex distribution. They reported another quarter of record results and record backlog. And the pullback represents a tremendous buying opportunity. We think this stock's going to be a \$100 stock within a few years."

Tecsyst's dividend yield of about 0.6% is puny, but, like Sylogist, it's also a Canadian Dividend Aristocrat. Specifically, the tech stock has raised its dividend for 13 consecutive years.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:SYZ (Sylogist Ltd.)
2. TSX:TCS (Tecsyst Inc.)

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