2 Cheap TSX Tech Stocks to Buy in February 2022

Description

Many tech stocks have fallen off a cliff. Pundits blame a bubble burst of high-multiple tech stocks retreating to more reasonable valuations. Tightening liquidity in the financial markets from rising interest rates does not bode well for high-valued stocks. That said, the market correction could be exactly the buying opportunity that long-term investors have been waiting for. Here are two cheap **TSX** tech stocks that can potentially deliver incredible market-beating returns over the next five years and beyond.

Shopify stock

As the most valuable company on the TSX last year, tech stock **Shopify** (TSX:SHOP)(NYSE:SHOP) did not come out unscathed from the tech sector crash. After breaking below the 50-day simple moving average (SMA) at the start of the year, the tech stock has since fallen more than a third. From its 2021 peak, SHOP stock has lost 49% of its value. The decline makes SHOP stock a cheap tech stock candidate for value hunters.

Last month, Kim Bolton chose Shopify stock as one of his top picks on *BNN*.

> "Shopify is on sale today by 10%. It provides e-commerce as a service. It's a well-managed company. There's concern about the new fulfillment centre strategy, but they explained it well. Everything is running well. We have a 12-month price target of US$1,550. No dividend."
> *Kim Bolton, president and portfolio manager at Black Swan Dexteritas*

Bolton's price target is more conservative than the consensus price target of US$2,077. His target suggests 77% near-term upside potential.

Another cheap TSX tech stock

Bolton also commented on **Converge Technology Solutions** (TSX:CTS):

> “It’s a great Canadian story. It built up a portfolio of IT service providers, allowing them to offer multi-vendor tech solutions. A 2.2 billion company with about 20% upside from here.”
> *Kim Bolton*

Since October 2017, the tech stock has acquired 28 companies primarily in North America but has begun its expansion story in Europe as well. Its M&A strategy has been successful due to its cross-selling and integration capabilities.

The company’s latest debt-to-equity ratio at the end of Q3 2021 was about 1.1 times. However, its long-term debt-to-equity ratio was only 23%, which indicates a low leverage ratio. The tech stock commonly uses equity offerings to raise funds, as it’s been trading at higher multiples than the multiples it’s paying for its acquisition companies.

As an example, Converge last acquired Paragon Development Systems, a Wisconsin-based organization focused on fueling digital transformation, last month that was expected to be immediately accretive to revenue and adjusted EBITDA. Paragon’s revenue was about $239 million with an adjusted EBITDA of $11.4 million for the trailing 12-month (TTM) period ended November 30, 2021. Converge paid about 5.8 times the TTM adjusted EBITDA for the company.

Becoming a Converge company allows its target acquisitions to enjoy volume discounts. Additionally, reducing the headcount will help boost its EBITDA margin. Moreover, these companies can cross-sell Converge’s broader offerings to its customers, increasing EBITDA as a result.

Converge stock corrected below its 50-day SMA to as low as $8 but has since recovered above the 50-day SMA to $10.32 per share at writing. This suggests a high stock price stability and perhaps price growth persistence. The consensus price target of $13.63 per share, according to *Yahoo Finance*, represents near-term upside potential of 32%.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kayng
2. kduncombe

Category

1. Investing
2. Tech Stocks

Date
2025/07/07
Date Created
2022/02/07
Author
kayng