1 TSX Tech Stock to Buy and 1 to Avoid

Description

The TSX is currently seeing the opposite of early post-pandemic days. Between May and October, the tech sector actually rose over 15%, while the energy sector fell a little less than that. Now, the energy is soaring, while the tech sector is crashing hard. The decline has grown to become relatively more brutal than a justified correction.

However, the decline also has a positive side. And it's that a lot of tech stocks are currently reasonably discounted. But not all of them are worth buying. There are some tech stocks that you may consider avoiding, even if they are just as attractively discounted as the rest of the sector.

A tech stock to avoid

Absolute Software (TSX:ABST)(NASDAQ:ABST) is not a bad choice per se, but it *is* a tech stock you may consider avoiding in favour of better options. And the reason is its valuation, particularly its price-to-book multiple, which is currently at 32.3 times. And that's *after* a massive 40.6% decline. The company is too overpriced for the discount it's currently offering. That discrepancy and negativity are dulled quite a bit by its steady financial growth.

If we consider the return potential of the stock, it offers both capital-appreciation potential and dividends, which is relatively rare in the tech sector. But the capital-appreciation potential remained quite dull in the few years preceding the pandemic-driven crash and post-pandemic spike. And if the stock is more likely to resume the growth pattern before pandemic than re-spike without a catalyst, it may be a risky buy at its current valuation.

A tech stock to buy

When you are looking for tech stock to buy, try identifying technologies that may have a bright future in the coming decade. One company that fits the bill is **Docebo** (TSX:DCBO)(NASDAQ:DCBO). Its learning management platform saw a lot of evolution and growth during the pandemic, and now that remote learning will likely become more mainstream, Docebo may see gradual long-term growth.

The growth it has offered so far has been quite powerful as well. The stock has risen over 700% since its inception. That is between April 2020 and March 2021. So, if you had bought the company at its IPO and exited at the 2021 peak, you would have grown your capital by seven times.

Even if you missed that chance to buy, the current discount might be another great opportunity. Currently, the stock is sliding down, following the trend of the tech sector at large. And even though it's not exactly undervalued, the price-to-book multiple is quite reasonable for a tech stock that offered so much growth in its early days.

Foolish takeaway

The tech stock bear market may continue for a while yet, or it may start to turn around and change course as early as next month. So, even if you are not buying now, keep an eye on the tech stocks you want to add to your portfolio at their current discounted prices and buy *before* the upward trend sets in.

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