2 Cheap TSX Tech Stocks I'd Buy Before the Tech Recovery Resumes

Description

Canadian tech stocks are trading on a mixed note this week after staging a sharp recovery last week. Notably, shares of most tech companies posted their best weekly gains in months last week, which helped the **TSX Composite** benchmark inch up. The uncertain macro environment due to the ongoing Russia-Ukraine war and high inflation could keep the tech sector volatile in the near term. Nonetheless, I expect the tech sector recovery to resume soon, as many fundamentally strong stocks look really cheap right now.

In this article, I'll highlight two cheap tech stocks on the TSX that I find worth buying right now with increasing prospects of their sharp recovery.

Kinaxis stock

Kinaxis (TSX:KXS) is a Kanata-based enterprise software company that primarily focuses on providing software solutions for integrated business planning and digital supply chain. It currently has a market cap of around $4.6 billion. Kinaxis stock has risen by 15% in March so far, with the help of the recent tech sector-wide recovery, after consistently falling in the previous three months.

After exceeding its increased guidance in 2021, Kinaxis's financial growth trend is expected to improve further in the ongoing year with the help of its rising number of new customer wins and incremental subscription bookings.

Last year, Canadian tech company total annual recurring revenue (ARR) continued to grow positively — primarily with the help of growth in the SaaS (software-as-a-service) segment's recurring revenue. These encouraging factors could be some of the reasons why Kinaxis expects its SaaS revenue to grow by 23% to 25% in 2022. Similarly, the company expects its adjusted EBITDA margin for the year to be between 15% to 18% compared to 15.9% in 2021. Despite all these positive expectations, this TSX tech stock is still trading with 6% year-to-date losses, making it look cheap to buy now for the long term.

Magnet Forensics stock

Magnet Forensics (TSX:MAGT) has been one of my favourite Canadian tech stocks to buy since its listing on the TSX nearly a year ago. This Waterloo-based cybersecurity company develops digital investigation tools for its customers. MAGT stock has consistently been struggling for the last couple of quarters after it posted solid 67% gains in the third quarter last year.

In 2021, Magnet Forensics reported a 37% year-over-year rise in its total revenue to around US$70.3 million — mainly with a solid 48% jump in its ARR. In the last few quarters, the company's research and development expenses have risen, as it focuses on developing innovative cybersecurity solutions, which are likely to play an important role in accelerating its financial growth in the coming years.

In line with its expansion strategy, Magnet Forensics introduced its latest cybersecurity tool called Magnet AUTOMATE Enterprise. This tool aims to reduce "the time enterprises need to respond to and recover from cybersecurity incidents." Overall, its consistently expanding customer base and focus on developing automated cybersecurity solutions could help this tech company post strong revenue growth in the coming years and help its stock soar, which currently trades with about 12% year-to-date losses.

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