



## 3 Ridiculously Cheap Tech Stocks to Buy on the Correction

### Description

The past few weeks have been painful for most Canadian stocks but especially tech stocks. The **S&P/TSX Capped Information Technology Index** is down 31.5% since the start of 2022. On the flip side, the **S&P/TSX Composite Index** is trading neutral for the year.

### Reasons why tech stocks are crashing

Tech stocks are facing pressure for a few reasons. Firstly, interest rates are rising. This has an inverse effect on the valuation multiple of growth stocks. Secondly, [tech investors](#) that made a fortune over the pandemic are now taking profits as the sector plummets. Lastly, earnings are normalizing out of the pandemic. Many tech companies are facing tough comparisons from the past two years, which has investors worried that growth is permanently slowing.

### Tech stocks have favourable long-term tailwinds

These concerns are likely causing the market to *overreact*. Often the stock market stretches too far to the upside but also to the downside. With the recent pullback, the market is factoring a “worst-case scenario” that is unlikely to happen.

Despite all the worries in the world, technology is going to continue to expand in society, not decline. In fact, challenging economic or geopolitical factors can often inspire more innovation and reliance on technology.

With this in mind, three innovative Canadian tech stocks that should keep growing, despite all the bad news are, **Descartes Systems** ([TSX:DSG](#))([NASDAQ:DSGX](#)), **Sangoma Technologies** ([TSX:STC](#))([NASDAQ:SANG](#)), and **TELUS International** ([TSX:TIXT](#))([NYSE:TIXT](#)).

### Crucial software for the logistics industry

Descartes Systems is the most expensive Canadian tech stock on this list. With a price of \$79.50, it trades at 11 times forward sales and 24 times earnings before interest, taxes, depreciation, and amortization (EBITDA). However, after a 24% decline since the start of the year, its valuation trades in a range below its five-year average.

Descartes provides software services that streamline logistics and supply chain productivity. In a world full of supply chain challenges, its business is seeing very strong demand.

This tech stock has a cash rich balance sheet, and it is very profitable. With tech valuations falling back, it can [acquire](#) more attractively priced software businesses. This is a great long-term compounder that is never cheap. However, it looks reasonable here for [a long-term position](#).

## A communications software leader

Sangoma Technologies stock has become extremely cheap over the past few months. It has a price to sales of one and an enterprise value-to-EBITDA ratio of only seven.

Sangoma provides a unified communications-as-a-service (UCAAS) platform to small- and medium-sized businesses. Last year, the company combined with a large peer in the United States. The acquisition was transformational both operationally and financially.

It also just added a network cybersecurity business to its mix, essentially making it one-stop shop for business communications needs. It collects reliable recurring revenue streams and yields significant cash from its operations.

Despite growing at an attractive double-digit rate, Sangoma is a very cheap Canadian tech stock. For a small-cap stock with huge long-term upside, this is a top pick today.

## AI and machine learning

TELUS International completed its initial public offering (IPO) early last year. However, this tech stock has lost 31% ever since. Today, TI trades for 2.2 times sales and it has an enterprise value-to-EBITDA ratio of 11. That is around two-thirds the valuation it had when it IPO'd.

Yet TI has continued to perform incredibly well. It utilizes artificial intelligence and machine learning to streamline customer experiences for some of the world's largest corporations. With staffing an increasing challenge, these services are more crucial than ever.

TI is targeting mid to high teens revenue and EBITDA growth in 2022. For that, you get a high-quality, well-financed business at a very discounted price today.

### CATEGORY

1. Investing
2. Tech Stocks

### POST TAG

1. Editor's Choice

## **TICKERS GLOBAL**

1. NASDAQ:DSGX (Descartes Systems Group)
2. NYSE:TIXT (Telus International)
3. TSX:DSG (The Descartes Systems Group Inc)
4. TSX:STC (Sangoma Technologies Corporation)
5. TSX:TIXT (Telus International)

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