



2 TSX Tech Stocks With a Stellar Risk/Reward Scenario!

Description

Don't count out the top TSX [tech](#) stocks just because they stand to tumble amid higher interest rates. Many of the best software plays in Canada have already seen the band-aid be ripped off. With U.S. rates flirting with the 3% mark, it does seem like much of the carnage may be overexaggerated. Undoubtedly, higher rates are still bad for growth. And with the GDP-cooling effect of rate hikes taken into consideration, it's clear that the growth trade could face a one-two punch straight on the chin.

At the end of the day, though, it's all about individual companies and how they will fare given the harder macro world. They've been dealt a tougher hand, but some will still play it well, even with the odds stacked against it. It's these such firms that could be a buy right here. Let's have a look at two that stand out from a risk/reward standpoint.

Consider **Constellation Software** ([TSX:CSU](#)) and **CGI** ([TSX:GIB.A](#))([NYSE:GIB](#)), two relatively cheap TSX tech companies that have robust earnings that can help them power through the recent wave of market volatility.

Constellation Software

Constellation Software is the epitome of a smart-beta stock. I've noted this in many prior pieces. The company has grown its earnings and sales at a consistent rate over the years. Thanks to prudent M&A within the small corner of the Canadian software space, the company has slowly, but steadily crushed the broader TSX Index over a long-term timespan. Year to date, shares have slipped and are now down around 8%. However, over the last five years, shares of CSU have risen over 240% and with less volatility than the broader market averages! Indeed, you can have your cake and eat it, too, with a stock like CSU.

Now in a correction (down around 10% from its high), I think investors should look to top-up their positions if they've yet to do so. The company is slated to continue moving forward, even if most others throw in the towel on the broader tech space. At 115 times trailing earnings, CSU stock does not look cheap. Still, with the best growth days ahead of it, investors may have a shot to get in at less than six

times sales.

CGI

CGI is a magnificent IT consulting services firm with a healthy balance sheet, a [modest valuation](#) multiple, and an intriguing organic growth profile. Though the stock has run out of steam by a bit, I remain incredibly bullish on the firm over the long haul. Like Constellation, shares have sagged into a correction, mostly due to the broader market's souring on tech. The \$22.35 billion company is pretty cheap at around 18.45 times trailing earnings and just 1.8 times sales at the time of writing. Though growth could hit a snag over the coming year, I like the entry point at around \$100 per share.

Further, CGI stock is no more volatile than the broader markets, with a mere 0.98 beta. Indeed, you don't need to be on the receiving end of volatility to do well in the Canadian tech scene.

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3. TSX:GIB.A (CGI)

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