These 2 Tech Stocks Could Rebound in 2022

Description

Tech stocks have had their worst month in years. Investors have retreated from this sector at an astonishing pace. That means everything from unprofitable e-commerce to profitable enterprise software is now trading for a fraction of its former valuation.

Broad selloffs like this tend to create incredible opportunities for long-term investors. In 2022, I believe these opportunities could surface in the supply chain management sector. Here are two companies that could help resolve the supply chain crisis and rebound sharply in 2022.

Logistics software

Descartes Systems (TSX:DSG)(NASDAQ:DSGX) range of logistics network solutions designed to connect business partners. The company serves over 20,000 clients in more than 160 countries, providing federated networks and global logistics technology solutions.

Currently, it operates one of the largest neutral logistics networks servicing some of the biggest brands, including **UPS**, **Home Depot**, and **Air Canada**. A robust portfolio of clients is the reason the company has grown its earnings at a double-digit annual rate over the past five years.

The stock is down by more than 20% for the year amid an ongoing correction from 52-week highs of $91 a share. The deep pullback has coincided with the overall stock market coming under pressure in recent weeks. Despite the selloff, the company's outlook remains positive.

Descartes has shifted its attention to higher-margin service revenue. It is also transitioning most of its customers to its services-based structure from the old licensed-based structure, as it looks to strengthen its revenue base.

It is also looking to strengthen its growth metrics and long-term prospects through acquisitions. It has already agreed to acquire Foxtrot, a leading machine learning-based mobile route solution, for $4 million. While the stock is trading at a premium with the price-to-earnings multiple of 45, it is still an exciting pick following the 30% correction from all-time highs.

Global supply chain solutions

Kinaxis (TSX:KXS) is another supply chain tech stock that's facing similar headwinds. The company's cloud-based subscription software RapidResponse continues to elicit strong demand in supply chain operations management.

Revenue attributed to the supply chain software rose to $300 million in 2020 before rising to $314 million last year. Software as a service revenue was up 18% in the fourth quarter of last year. The deep pullback experienced in the market could be attributed to concerns that most of the company's former customers may be unable to renew their contracts.

However, that has not been the case, as Kinaxis has succeeded in gaining more business. The company is expected to bounce back to strong growth in 2022, characterized by double-digit growth in revenue in earnings.

Over the past five years, Kinaxis shares have more than doubled in value. While the stock is currently trading 30% below its 52-week highs, the pullback provides an attractive entry point, as it appears to be trading at a discount, despite the high price-to-earnings multiple of 96.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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2. TSX:DSG (The Descartes Systems Group Inc)
3. TSX:KXS (Kinaxis Inc.)

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