



2 Niche Tech Stocks That Are Outperforming the Industry

Description

Tech stocks are in a severe bear market. Since last year, some of the most prominent technology companies have lost roughly half their market value; some, even more. However, not all tech stocks are underperforming. Some have done better than the rest of the market and could sustain this momentum in the months ahead.

Here are the top two niche tech stocks that are outperforming the rest of the sector in 2022.

Pason Systems

Unlike the tech sector, energy stocks are booming. There's a global shortage of oil and gas because of a decade of underinvestment in the sector. This year, the conflict in Eastern Europe has caused blocked even more supply, pushing oil prices higher.

High oil prices lead to more drilling — a process where **Pason Systems** ([TSX:PSI](#)) plays a key role. The company's software platform helps energy giants locate, manage and operate drilling sites across 12 countries. In other words, it's the data analysis hub for oil and gas producers.

In its latest quarter, the company reported a 75% surge in revenue and a whopping 360% boost in net income. As the hunt for more oil production continues, the stock could see further upside. Meanwhile, the company has also diversified into the renewable sector with clients in the solar energy space. This segment is relatively small but is growing much faster than the rest of the business.

Pason Systems stock is up 80% over the past year, while the TSX 60 is up just 4% over the same period. Most other software companies have *lost value* over this period. If you're bullish on energy, this could be an underrated bet on the sector.

CGI

Consulting giant **CGI** ([TSX:GIB.A](#))([NYSE:GIB](#)) is yet another underrated, outperforming tech stock.

The IT consulting and management business has been far more robust than software or e-commerce. CGI reported a 10% bump in revenue in its most recent quarter. Margins are expanding, too. Earnings per share were up 14% year over year in this period.

Based on these [robust fundamentals](#), the stock has outperformed the rest of the tech sector. CGI stock has lost just 4% of its value year to date compared to 34% for the **S&P/TSX Capped IT ETF** over the same period.

The outlook remains bright. The company reported an order backlog of \$23 billion. That's roughly 1.3 times its annual sales. Management said that "over 80% of clients" intend to invest more money in digitizing their business process. That means CGI could see more upside and reliable cash flow for the foreseeable future.

Bottom line

The tech sector is in a deep correction. In fact, the flagship Canadian IT index has lost more than a third of its value this year. However, niche consulting services and oil drilling software have outperformed. Keep an eye on CGI and Pason Systems as we navigate this correction.

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3. TSX:PSI (Pason Systems Inc.)

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