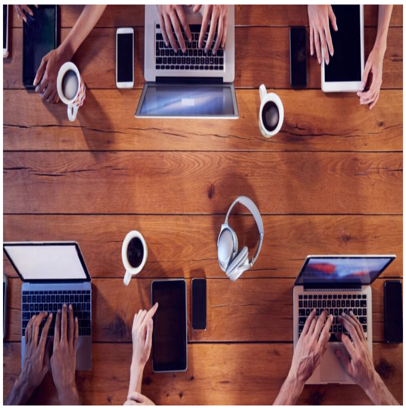

Looking for Cheap Stocks? These 3 Tech Stocks Offer Reasonable Value

Description

Thanks to the sharp selling in the market, several TSX tech stocks are trading at a reasonable valuation. This is an opportunity to buy tech stocks cheap and benefit from the recovery in the medium term. Here are my top three picks.

Shopify

Shares of the e-commerce company **Shopify** (TSX:SHOP)(NYSE:SHOP) have fallen about 78% from its 52-week high. While Shopify's growth could remain muted in the short term, I see this correction in price as a solid opportunity to invest.

Undeniably, the worsening of the macro headwinds and fear of the economic slowdown could keep Shopify stock volatile in the short term. However, the company's growing market share and increased penetration of e-commerce as a percentage of overall retail sales provide a multi-year growth opportunity for the company.

Further, the company's growth measures, including accelerated investments in fulfillment, sales, and marketing, bode well for long-term growth. Moreover, its initiatives like the expansion of product offerings, entry into the newer markets, and addition of new sales and marketing channels (including social commerce) will likely accelerate its growth.

Shopify's next 12-month EV/sales multiple of 6.9 appears reasonable given its high-growth prospects and makes it a solid recovery play once macro headwinds ease.

WELL Health

Thinking of investing in tech stocks? Consider buying the shares of **WELL Health** (TSX:WELL). What stands out is that WELL Health has maintained its growth rate and continues to grow rapidly, despite the reopening of the economy.

While its stock price has lost substantial value in the recent selling in the market, WELL Health's revenue is growing fast, while it continues to deliver positive adjusted EBITDA. This supports my bullish view. For context, WELL Health's revenues surged about 395% during the last reported quarter. Strong omnichannel patient visits and benefits acquisitions drove its top line.

WELL Health raised its full-year revenue outlook and remains confident in sustaining its high growth due to continued strength in organic sales. Further, WELL Health is ramping up its M&A activities to accelerate its growth and strengthen its competitive positioning.

Its growing scale and sales leverage will likely drive its free cash flows. Moreover, WELL Health expects to remain profitable in 2022, which is positive.

WELL Health's next 12-month EV/sales multiple stands at 2.3, which is attractive given the ongoing momentum in its business.

Enghouse

Enghouse (TSX:ENGH) stock gained substantially amid the pandemic, as the COVID restrictions drove demand for its digital offerings that supported remote work and communications. However, its growth normalized due to the easing of restrictions, which led to selling in its stock price.

While Enghouse's growth decelerated due to the tough year-over-year comparables, its focus on accretive acquisitions and internal growth will likely support its stock.

It has consistently increased its revenue and adjusted EBITDA at a healthy pace. Moreover, the ongoing digital shift, progress on multiple large professional services projects, cloud-based recurring revenues, and price increases will likely drive its financials. Also, operational efficiencies could continue to cushion its earnings.

Enghouse runs a profitable business and generates solid cash flows that fund its growth initiatives and dividend payments. Also, it is debt free and has a strong balance sheet.

Enghouse stock has dropped over 47% from its 52-week high, representing a good opportunity for buying.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:ENGH (Enghouse Systems Ltd.)
3. TSX:SHOP (Shopify Inc.)
4. TSX:WELL (WELL Health Technologies Corp.)

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