3 TSX Tech Stocks That Could Break Out of This Market Slump

Description

The tech sector in Canada was the first to recover and experience magnificent growth after the 2020 pandemic. But it was also the first to go through a brutal correction. The **TSX Capped IT Index** has now fallen 8.3% below the pre-pandemic peak.

This means that all the growth sector/index as a whole accumulated during the pandemic is not just undone, but the downward movement has carried the sector further down, essentially putting up a discount tag on it (and on the individual stocks). However, there are some tech stocks that might be poised for a breakout soon, and you should consider buying before they fully reverse course.

A real estate tech company

Real Matters (TSX:REAL) offers its investors an overlap of the tech sector and the U.S. real estate market or, more accurately, a specific slice of it: the mortgage industry, insurance, and appraisers.

The proprietary technology, the idea, and the network the company has managed to build are quite impressive, but this impressiveness cannot be seen in the stock, at least not since Aug. 2021, when the stock entered its correction phase ahead of the sector.

After going through a phenomenal growth spurt between the 2019 and 2021 peaks, during which the 2020 crash was a minor blip, the stock was over 800% higher. But it came down *just* as hard. The current slump has already pushed it down 83%.

However, the stock is showing signs of recovery, and its comparative undervaluation is also endorsing the possibility that the stock might be on the edge of a full-fledged recovery.

A software company

If you are looking for a relatively diverse tech company on the TSX that is not tied down to one market or doesn't rely on a single product/platform, **Enghouse Systems** (TSX:ENGH) is an option worth considering. The company caters to a variety of vertical markets and has two business segments.

The interactive management business division focus on visual communication and contact centres. In contrast, the asset management group caters to a broader market through two underlying brands.

Enghouse is one of the few dividend payers in the tech sector. Usually, its yield tended to remain under desirable levels, but thanks to the slump that has caused the stock to fall 54% below its pre-pandemic levels and made it one of the most undervalued companies in the sector with a price-to-earnings multiple of 15.5, it has also pushed the yield up to an attractive number of 2.9%.

The stock is too heavily discounted and poised for a breakout.

An information management

Business today is all about information management and flow. With data becoming the hottest new commodity and AI/ML growing from their infancy, companies like **Open Text** (TSX:OTEX)(NASDAQ:OTEX), which are equipped to help a wide variety of businesses go through their digital transformation journey with the power of data propelling them, can be smart investments.

The stock has already started showing signs of recovery, and even though its most recent recovery bout is all but over, the fact remains that it's on the right trajectory. The yield, which is usually quite low, is currently 2.3%, quite a decent number considering the company's historical yield. It's also modestly undervalued, which may also accelerate its recovery.

Foolish takeaway

All three tech stocks are not just discounted; they are also quite undervalued compared to their peers in the sector. However, not all of them might be able to break out by themselves, and a sector-wide recovery may become the trigger for full-fledged growth.

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Date
2025/07/27
Date Created
2022/06/17
Author
adamothman