Fantastically Cheap TSX Tech Stocks

### Description

Rising interest rates have been a drag on tech stocks. However, tech stocks are a high-growth area that can lead to market-outperforming, long-term returns, especially if investors buy at today's lower valuation versus a year ago.

Here are a few fantastically cheap **TSX** tech stocks that you should check out.



## A fantastically cheap little tech stock

**Converge Technology Solutions** (TSX:CTS) trades at a market cap of about $1.1 billion. The little tech stock has taken a dive of about 50% versus the analyst consensus price target re-rate of approximately 14% lower from the March levels. At $5.45 per share at writing, it trades at a steep discount of about 54% from the $11.85 price target.

If the company is able to execute its M&A growth strategy, which has been successful so far, analysts are likely to increase the price target again in the future. By that time, the fantastically cheap price will be gone.

Converge provides a variety of tech solutions, including cloud, analytics, cybersecurity, digital infrastructure, and managed services, to the mid-market. It has been making acquisitions, reducing costs in the acquired operations, expanding margins, and growing revenues.

The tech company continues to make acquisitions in North America and Europe. This month, it acquired three Germany organizations in the education market that "enables schools and universities to implement their digital future," as described in its press release.

The company is in its early stages of growth and just turned a profit last year. Earnings growth is expected to stay at a double-digit rate in the foreseeable future.

## Another dirt-cheap tech stock

Investors not comfortable with small-cap Converge can consider another dirt-cheap tech stock like **Open Text** (TSX:OTEX)(NASDAQ:OTEX), which has a much longer history of operation. The information management solutions company was founded in 1991, and as far as my data shows, in the last 20 years, it has been profitable and has generated durably increasing cash flows.

The tech stock finally decided to start paying a dividend in 2013 and has increased the dividend every year since! Its five-year dividend-growth rate is 13.6%, which is pretty awesome. The dividend stock yields 2.2% and trades at about 12.4 times earnings. It has strong coverage for its dividend on a free cash flow payout ratio of about 25%.

## One of the best TSX tech stocks is cheap

Last but not least, investors should look into **Constellation Software** (TSX:CSU), which is easily one of the best-performing tech stocks on the TSX. Its 10-year total returns are about 37% per year. Buying in the current correction is about as cheap as you can get in the quality tech stock. Its strong price gains potential makes its small yield of about 0.27% irrelevant.



At about $1,948 per share, it trades at about 32 times earnings. Compare this multiple to its expected earnings-per-share growth rate of 23-24% over the next two years, and we arrive at a decently attractive PEG ratio of about 1.36.

Management has been superb at allocating capital. For example, its five-year return on assets and return on equity are roughly 10.5% and 47.7%, respectively. Both greatly outperform the market.

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3. TSX:OTEX (Open Text Corporation)

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