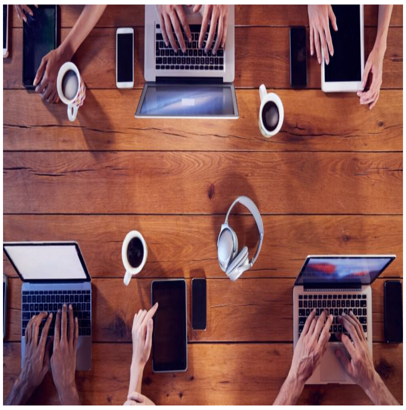

3 Stocks I'm Buying During a Tech Stock Correction

Description

Tech stocks have had a horrible year. In fact, Canada's biggest tech stock has lost 64% of its value year to date. This correction has surfaced better opportunities for investors. Robust tech companies are now trading for fair value.

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Here are the top three undervalued tech stocks I'm buying (or watching) during this market correction.

Tech stock #1

I've held **WELL Health Technologies** (TSX:WELL) since 2020. Since then, the stock has performed better than my expectations and most other small software stocks. I believe it has more room to run.

In 2022, WELL Health's management expects annual recurring revenue to exceed $550 million. Meanwhile, the company is worth just $915 million. That's a forward price-to-sales ratio of 1.66. WELL Health could be one of the most undervalued tech stocks on the market right now.

The company also expects to be profitable for the first time this year. That should be the catalyst to unlock value for shareholders in the months ahead. Keep an eye on this underrated growth opportunity.

Tech stock #2

Even the best stocks get beaten down during market corrections. **Constellation Software** (TSX:CSU), Canada's best enterprise software conglomerate, lost 22% of its value in the first six months of 2022. It was dragged down along with the rest of the sector.

The stock has recovered some of those losses in recent weeks. It's up 16.5% since mid-June. However, it remains undervalued, in my opinion. The company generated US$335 million (CA$427 million) in free cash flow during the first six months of the year. Assuming annual free cash flow exceeds $850 million, the stock is trading at 52 times cash flow per share.

The company has also deployed over $1.5 billion in acquisitions during the first half of 2022. These new additions should create immense value in the months ahead and help the company sustain revenue growth for the foreseeable future. That's why I've added exposure to Constellation Software stock during this market correction.

Tech stock #3

Open Text (TSX:OTEX)(NASDAQ:OTEX) is a relatively boring low-growth tech stock. But in this environment, that's attractive. The company has managed to sustain its top line, despite the downturn, and is cash flow positive.

In its most recent fiscal year, Open Text delivered $889 million in free cash flow. That's 9.4% higher than the previous year. Open Text stock is currently trading at 12 times free cash flow per share and just 3.7 times revenue per share.

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The stock has lost 16.9% of its value year to date. That's why management has implemented a share repurchase scheme. In the latest quarter, the company repurchased one million shares for an aggregate value of $14 million. Altogether, the company has delivered shareholder rewards worth $415 million in a combination of dividends and buybacks.

Open Text is an overlooked opportunity for investors seeking stable cash flows in the beaten-down tech sector.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:OTEX (Open Text Corporation)
4. TSX:WELL (WELL Health Technologies Corp.)

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