



3 TSX Tech Stocks That Could Soar

Description

The innovation and [growth](#) seen in the technology sector over the past decade has been impressive. Indeed, many top tech stocks soared to valuations that were likely overblown through last year.

Unfortunately, this year has brought some serious macro headwinds to the party. An overheating global economy has led to surging inflation. In a bid to cool said inflation, central banks everywhere have been hiking rates to a degree many didn't expect. For the Bank of Canada, this meant yet another 75-basis-point hike, raising the overnight rate to more than 3% for the first time since 2008.

For growth stocks, this environment isn't great. Higher rates mean valuation compression across the board. That said, for those looking for tech stocks with long-term upside potential, here are three options I think are worth considering.

TSX tech stocks that could soar: Shopify

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) has clearly been the tech leader in Canada. Formerly the largest company in terms of market cap in the Canadian market, Shopify represents Canadian innovation to a degree we haven't seen in some time

That said, this recent market downturn for tech stocks has hit Shopify very hard. This company's valuation, and to its sky-high growth rate, have both taken a hit. This comes as demand for online shopping and point-of-sale systems declines in this post-pandemic environment. For those worried about an impending recession, the outlook is even worse for Shopify.

That said, those taking a long-term view on the secular catalysts, which should propel e-commerce forward, Shopify remains a great bet. This is a long-term holding that growth investors should consider on significant dips, such as the one we've just seen.

Constellation Software

Constellation Software ([TSX:CSU](#)) is a diversified software conglomerate based in Toronto. This company provides software and services to a select group of private and public sector markets. Moreover, this company also builds, acquires, and manages industry-specific software businesses that provide software solutions to their clients.

Constellation's long-term growth rate is certainly impressive. This growth has been reflected in the value of the company's shares, which have continued up and to the right for many years.

Constellation's solid growth-via-acquisition business model can be attributed for most of this company's success. With much more in the way of acquisition opportunities in this space, I think Constellation's long-term trajectory is likely to continue on its path over the long term.

Open Text

Based in Waterloo, **Open Text** (TSX:OTEX)([NASDAQ:OTEX](#)), develops and sells EIM (enterprise information management) software. It aims to develop products that help manage large volumes of content, address information management requirements, etc.

Open Text has a market cap of \$7.958 billion at the time of writing. With a market volume of 940,372, the price-to-earnings ratio (trailing 12 months [TTM]) of this stock is 21.07, and the earnings per share (TTM) is 1.46. The dividend yield of this stock is 3.16%.

As of August 10, 2022, Open Text released its yearly market result, reporting revenues of \$3.5 billion. Moreover, this company has also reported statutory earnings per share of \$1.46. According to market analytics, these numbers show that Open Text is performing in line with the market expectations.

Bottom line

Investors can buy these three TSX tech stocks and reap the benefits as they soar.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:CSU (Constellation Software Inc.)
4. TSX:OTEX (Open Text Corporation)
5. TSX:SHOP (Shopify Inc.)

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