2 Top TSX Tech Stocks to Buy in October

Description

TSX tech stocks had a great recovery over the summer, but that momentum has been lost as the stock market turns bearish again. Interest rates and stock valuations have an inverse relationship. As interest rates rise, the prospects for growth start to decline. That is largely why TSX tech stock valuations have been hit the hardest in 2022.

Even though growth is expected to slow, tech stocks are still an attractive long-term asset, especially if you can buy them at the right price. While bear markets and recessions are always tough, they can also be opportunities for patient long-term investors. Here are two top TSX tech stocks I'm eyeing to buy in October.

A high-quality TSX tech stock for the long term

Despite declining 15% this year, **Descartes Systems** (TSX:DSG)(NASDAQ:DSGX) is not the cheapest technology stock you will find. It trades with a price-to-earnings (P/E) ratio of 52 and an enterprise value-to-earnings before interest, tax, depreciation, and amortization (EV/EBITDA) ratio of 23.

If it's not cheap, then why is it interesting? Well, this Waterloo, Ontario-based tech stock is a global provider of logistics network and software services.

Disrupted global supply chains remain a major reason why inflation is soaring. Descartes helps businesses resolve these challenges. Consequently, demand for its services has been steadily growing.

In its second quarter, revenues grew 18% to $123 million. Notably, 89% of that was from recurring services. Adjusted EBITDA increased 18% to $54 million. This TSX tech stock is incredibly profitable, and its business is supported by a high-recurring revenue base. The company has $180 million of net cash.

A recession could create very attractive opportunities for Descartes to buy cheap software businesses that expand its portfolio. That could provide another leg of growth in the years ahead.

While this stock is not cheap, its valuation is the cheapest it has been since 2019 (other than the March 2020 crash). You have to pay up for this high-quality, resilient business, but it should be worth it for a long-term, buy-and-hold investment.

A TSX tech stock for a very attractive price

If you are looking for a TSX tech stock that is growing at a more reasonable price, then you may want to consider **Calian Group** (TSX:CGY). It has a market cap of $640 million. It only trades with a forward P/E of 13.9 and an EV/EBITDA of 8.8. Its valuation has not been this cheap since mid-2019!

Through a series of smart acquisitions, Calian has grown into a diversified services business focused on training, healthcare, advanced technologies, and cybersecurity. Calian started out as major supplier to the Canadian military, but it has significantly diversified its customer base across Canada, the U.S., and Europe.

Cybersecurity/IT now makes up one-third of its revenue mix. This business helped revenues and adjusted EBITDA grow by 10% and 8%, respectively, last quarter. For the past five years, Calian has grown adjusted EBITDA by a compounded annual growth rate of 21.9%.

Given that it has $43 million of net cash on its balance sheet, Calian should continue to be able to fund organic growth and add attractive acquisitions to its portfolio. For a stock growing faster than its valuation multiple, Calian is a great stock to consider buying right now.

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2. Tech Stocks

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3. TSX:DSG (The Descartes Systems Group Inc)

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