



## This Tech Stock Could Be the TSX's Next Star Performer

### Description

The [technology sector](#) got a lot of attention in 2020, and enthusiasm was highest for an e-commerce platform. **Shopify** became the darling of the **TSX** that year after rewarding investors with a 184.7% total return. Unfortunately, this year has been terrible for [growth stocks](#), particularly tech firms.

As of this writing, the tech sector is down 35% year to date, while Shopify is deep in the red (-70.52%). The chances of an explosive recovery by the erstwhile superstar anytime soon are slim, although **TELUS International** ([TSX: TIXT](#)) could emerge as the new star performer in 2023.

### Upsized IPO

TELUS International, a designer and builder of next-generation digital solutions to enhance the customer experience (CX), went public on February 3, 2021. Its successful market debut was the largest tech IPO in TSX history. **TELUS Corp.**, Canada's second-largest telco, is TIXT's largest shareholder and most prominent customer.

The \$12.7 billion firm competes with IT companies, consulting firms, and traditional call centres to win over customers in industries such as communications, games, fintech, and healthcare, among others. Its technology partners today include **Google Cloud**, **Cisco**, and **Salesforce**.

### Growing demand for digital solutions

TELUS International is present in 28 countries and serves over 600 global clients. According to its President and CEO, Jeff Puritt, the company is well-positioned to consistently capitalize on market opportunities as the pace of demand for digital solutions grows."

The recent acquisition of WillowTree is proof of management's desire to significantly enhance the end-to-end digital experiences of its customers. WillowTree, a premier, full-service digital product provider, focuses on end-user experiences.

Apart from diversifying its client base, the strategic acquisition will add 50 marquee brands to TIXT and bolster high-value cross-selling opportunities.

## Healthy profitability profile

TIXT is beginning to deliver the goods to the TELUS family. After three quarters in 2022 (nine months ended September 30, 2022), revenue increased 15.3% to US\$1.8 billion versus the same period in 2021. Notably, net income rose 254.8% year over year to US\$149 million.

In Q3 2022, revenue climbed 10.6% to US\$615 million compared to Q3 2021, while net income jumped 156.5% year over year to US\$59 million. Notably, free cash flow (FCF) increased 56% to US\$98 million. Its CFO, Vanessa Kanu, said TIXT displayed resiliency in the third quarter, notwithstanding the macroeconomic challenges.

Kanu expects WillowTree's high-quality client partners to deliver strong revenue growth in the coming quarters and help TIXT maintain a healthy profitability profile. However, she adds that management had to recalibrate its outlook for the full-year 2022 as it awaits the impact of prolonged market uncertainties.

She cites softer client demand and longer sales cycles as revenue headwinds in Q4 2022. Nonetheless, management projects revenue growth in 2022 to be between 11.7% (US\$2.5 billion) and 13.5% (US\$2.5 billion).

## Good entry point

TIXT's current share price of \$27.30 is 31.7% lower than its closing price on IPO day. On a year-to-date basis, the tech stock is down 34.7%. However, the depressed price is a good entry point. The digital consulting firm has high-tech projects in the pipeline that should accelerate business growth. Furthermore, it has the solid backing of a top 5G stock.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. TSX:TIXT (Telus International)

### PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media

7. Sharewise
8. Smart News
9. Yahoo CA

#### **PP NOTIFY USER**

1. cleona
2. cliew

#### **Category**

1. Investing
2. Tech Stocks

#### **Date**

2025/06/28

#### **Date Created**

2022/11/21

#### **Author**

cliw

default watermark

default watermark