3 Tech Stocks That Are Too Cheap to Ignore

Description

The tech sector has underperformed the broader equity markets this year as rising interest rates, an uncertain economic outlook, and expensive valuations have weighed on the sector. However, the pullback in some quality stocks appears to be overdone, thus offering excellent buying opportunities for long-term investors. The following three stocks trading at a considerable discount from their 52-week highs are my top picks.

Lightspeed Commerce

Lightspeed Commerce (TSX:LSPD) has delivered solid returns over the last two years. But the payment solutions provider is under pressure this year, losing around 60% of its stock value. The rising interest rates and expectation of growth slowing down amid an uncertain outlook have dragged the company's stock price down.

However, the company has continued to deliver solid quarterly performances, with its revenue growing by 38% in the September-ending quarter. Further, the adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) loss came in at US$8.5 million, lower than management's guidance of US$10 million.

Meanwhile, the growing adoption of the omnichannel selling model by small- and medium-scale businesses has created long-term growth potential for Lightspeed Commerce. Additionally, the company is focusing on launching innovative products and expanding its footprint to new markets. These opportunities could boost its financials in the coming quarters. As a result of the steep decline in its stock price, the company's price-to-book multiple has declined to 0.7, making it an attractive buy for long-term investors.

Docebo

Docebo (TSX:DCBO) offers highly customizable and artificial intelligence-powered e-learnings solutions to businesses worldwide. The company has been growing its recurring revenue at an impressive CAGR (compounded annual growth rate) of 66% over the last five years. During this period, Docebo has grown its customer base by 255% while its average contract value has expanded by four times. Noteworthy, around 80% of its customers have signed multi-year contracts, thus providing stability to its financials.

With the growing adoption of e-learning solutions by corporations to upskill their employees and improve their productivity, the learning management solutions (LMS) market is expanding. Given its innovative product offerings and expanded footprint, Docebo is well-positioned to benefit from the market expansion.

However, amid the weakness in the tech space, the company has lost around half its stock value over the last 12 months. Meanwhile, its NTM (next 12 months) price-to-sales multiple has declined to 6, lower than its historical average. So, considering all these factors, I expect Docebo to outperform over the next three years.

WELL Health Technologies

My final pick would be **WELL Health Technologies** (TSX:WELL), a telehealthcare company. Despite the challenging environment, the company's growth has continued. Revenue and adjusted EBITDA grew by 47% and 23% in the September-ending quarter, respectively. Supported by strong organic growth, the company's revenue from the virtual services segment grew by 75%. Its quarterly patient engagement stood at 1.25 million, representing an annualized run rate of 5 million.

The growing popularity of telehealthcare services and the WELL's expansion in the United States could boost its growth. Management expects to reach a revenue run rate of $700 million by the end of 2023. Despite its healthy growth prospects, WELL Health's NTM price-to-earnings stands at an attractive 11.2 while trading at a discount of 49% from its 52-week high. So, considering its improving financials, healthy growth prospects, and attractive valuation, I am bullish on WELL Health.

CATEGORY

1. Tech Stocks

TICKERS GLOBAL

1. TSX:DCBO (Docebo Inc.)
2. TSX:LSPD (Lightspeed Commerce)
3. TSX:WELL (WELL Health Technologies Corp.)

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