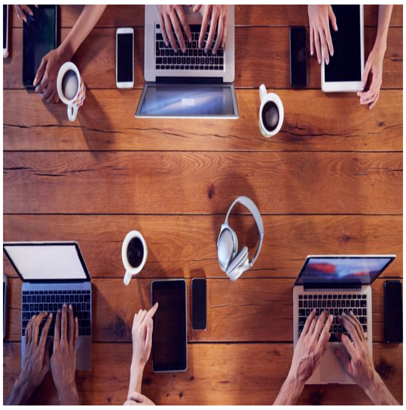

3 Top TSX Software Stocks to Buy

Description

Technology stocks soared this year. The unprecedented COVID-19 pandemic highlighted the profitability of technological advances. Those companies that offered solutions for consumers and businesses to cope during the pandemic were particularly successful this year.

While technology stocks now report high price-to-sales (P/S) and price-to-book (P/B) ratios, there may still be some good stocks to buy in software.

Here are three top **Toronto Stock Exchange** software stocks to consider buying in 2021.

Constellation Software stock succeeded last year

Constellation Software (TSX:CSU) rose from a 52-week low of $1,076.34 to a 52-week high of $1789.63. As of Friday, investors are trading the tech stock for $1,598.02 per share.

Constellation Software released the following statement regarding the impact of COVID-19 on the firm.

> “The pandemic may also have an adverse impact on many of the Company’s customers, including their ability to satisfy ongoing payment obligations to the Company, which could increase the Company’s bad debt exposure. The future impacts of the pandemic and any resulting economic impact are largely unknown and rapidly evolving.”

Technology’s success might not be over yet. Still, there is a risk of a bubble. Constellation Software’s P/S ratio is 8.92 and its P/B ratio is 37.93. For a stock with an annual dividend yield of only 0.31%, it might not be worth the risk.

CGI trading lower than pre-pandemic high

CGI (TSX:GIB.A)(NYSE:GIB) fell to $67.23 during the March market sell-off from a 52-week high of $114.49. Investors are trading the stock for $100.69 per share, just $13.80 less than the pre-pandemic high at the time of writing.

President and CEO George Schindler had this to say about fourth-quarter earnings last year:

> "In the quarter, our trusted client relationships led to rising bookings and superior cash generation. We see a healthy pipeline of opportunities for profitable growth through both build and buy and we are well-positioned to continue creating value for our clients as they increasingly rely on technology to navigate these dynamic times."

CGI will announce fiscal 2021 first-quarter earnings on January 27. CGI has a P/S ratio of 2.12 and a P/B ratio of 3.57. It seems this stock is generating strong cash and hasn't been drastically overvalued by the pandemic. Still, before you make a bet on one of the pandemic's losing stocks, wait to see how last quarter's earnings fared.

Nuvei reports strong revenue growth

Nuvei (TSX:NVEI) fell to $43.51 during the March market sell-off from a 52-week high of $82.04. Investors are trading the stock for $73.25 per share on Friday.

Nuvei provides cloud-based payment platforms for merchants globally. Philip Fayer, Nuvei's chairman and CEO, commented on the firm's strong performance during the third quarter.

> "I am incredibly proud of all that we accomplished in the third quarter, as we embarked on our journey as a publicly-traded company. We believe our performance, which included total volume of $11.5 billion along with strong revenue growth, is a testament to the strength of our technology, business model and focus on high growth verticals."

Nuvei has a P/S ratio of 29.59 and a P/B ratio of 8.28, making this a less-overvalued stock. Just because these values are lower than Constellation Software doesn't necessarily mean this is a better option for you. Like CGI, wait until Nuvei reports earnings before making the final decision to buy.

CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners
4. Tech Stocks

TICKERS GLOBAL

1. NYSE:GIB (CGI Group Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:GIB.A (CGI)
4. TSX:NVEI (Nuvei Corporation)

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