Forget a Market Crash: These 3 Tech Stocks Are Trading at a Discount Right Now

Description

The COVID-19 pandemic led to a market crash that saw the Canadian market lose more than 30% of its value in over a month. That was in early 2020. Since then, vaccines have begun being distributed, but many investors are calling for another crash this year. What gives?

After the Canadian market bottomed out at the end of March, it's been on an incredible bull run. The **S&P/TSX Composite Index** is up 60% in fewer than 10 months.

Considering that prior to the COVID-19 market crash, that index was up less than 50% over the previous five years, a 60% run understandably has some investors preparing for a significant pullback.

Are we in a tech bubble?

If the entire Canadian market is up 60%, you can imagine how high some of the growth stocks have soared since March. Share prices have sky-rocketed, but so have valuations.

Those lofty valuations are another reason that investors are calling for a crash. Could we be living in a tech bubble that's about to burst?

Rather than wait for the tech bubble to burst to pick up shares of top companies at a discount, I've covered three market-leading tech stocks that are already on sale.

All three of these tech stocks initially rebounded well from the COVID-19 market crash. The impressive bull runs have eventually run out of steam, but it won't be long before these stocks are back to trading at all-time highs.

Kinaxis

Kinaxis (TSX:KXS) is trading 25% below all-time highs that were set in early August of 2020. The tech stock initially went on a 150% bull run that began at the bottom of the COVID-19 market crash.

The sudden rise in valuation may have caused some investors to take profits and close their positions. For long-term investors that are looking to start a position in Kinaxis, though, now is a perfect opportunity.

The $5 billion tech company develops cloud-based subscription software for supply-chain operations. The software provides support for the entire operations planning process. Demand and supply planning, inventory management, and order fulfillment, are all areas that Kinaxis software can provide support.

At a forward price-to-earnings ratio above 100, shares are definitely not cheap, even at a 25% discount from all-time highs. Market-beating growth does come at a cost. The tech stock is up 250% over the past five years, so you'll need to pay up to own shares of Kinaxis.

Enghouse Systems

Sticking with software stocks, **Enghouse Systems** (TSX:ENGH) is another company that Canadian investors have the chance to pick up shares at an opportunistic discount. Shares are down just about 20% from all-time highs that were set in July of 2020.

Enghouse Systems has a rich history of delivering market-beating growth to its shareholders. The stock is up 100% over the past five years and 1,300% over the past decade.

Growth has certainly slowed, but there's no reason to believe that the $3 billion tech company won't continue to outpace the Canadian market over the long term.

Real Matters

Real Matters (TSX:REAL) is the most beaten-down of the three discounted stocks. The tech company is down almost 50% from all-time highs that were set last August. From the bottom of the COVID-19 market crash, Real Matters shares rallied more than 200% in fewer than five months.

The low-interest-rate environment has really hurt the major Canadian banks and other financial services stocks. Profits have plummeted, and there's not much optimism around interest returning to pre-COVID-19 levels any time soon.

Real Matters is a tech company that provides network management solutions for mortgage lenders and insurance companies. The company helps facilitate the mortgage purchase process by offering appraisals for purchases and refinancing transactions.

The low interest rates may be hurting the banks, but it's had the opposite impact for Real Matters. Customers across North America took advantage of the low interest rates to refinance their current mortgagees, which has sent revenue flying for the tech company.

Foolish takeaway

Winners often keep winning, so there’s no reason to shy away from adding or starting a position in a market-leading company that’s richly valued. But those valuations should not be ignored.

If you’re looking to dial back some of the risk in your portfolio, these are three tech stocks that can help balance out a portfolio, but still manage to deliver market-beating growth.

CATEGORY

1. Investing
2. Tech Stocks

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1. Editor's Choice
2. ENGH
3. enghouse systems
4. growth investing
5. growth stocks
6. kinaxis
7. KXS
8. REAL
9. real matters
10. tech stocks
11. technology

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2. TSX:KXS (Kinaxis Inc.)
3. TSX:REAL (Real Matters Inc.)

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