



2021 Top Picks: 3 Canadian Tech Stocks to Buy in the New Year!

Description

Tech was one of the top-performing sectors in 2020. While the COVID-19 pandemic created all kinds of chaos in the Canadian economy, tech stocks showed their resilience and finished the year in a far stronger position than many would have thought possible in early 2020.

The Canadian market hit its bottom during the last week of March. Since then, the **S&P/TSX Composite Index** is up an incredible 60%.

During the bull run that began in late March of last year, we've seen the market grow at a record-breaking rate, but tech stocks grow even faster.

Rebalancing your tech stocks

Canadians who have owned stocks in the tech sector over the past 10 months can't complain about much. That said, the valuations of some of these high-growth stocks should not be ignored.

If you feel that you've become too over-indexed with high-priced tech stocks, you may want to look into rebalancing your portfolio. I'm not necessarily talking about reducing your exposure to tech, but more at reducing your portfolio's level of risk.

Not all tech stocks are trading at ridiculously high prices today. But if you feel that your portfolio has become overloaded with stocks that carry valuations high enough that you're losing sleep at night, it's time to rebalance.

I've put together a basket of three tech stocks that vary from reasonably priced to ridiculously expensive. So whether you're looking to shed some risk, or take on some more, this list has something for you.

Tech stock #1: Lightspeed POS

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) is at the top of my list when it comes to Canadian stocks to follow.

The pandemic was initially supposed to be a major setback for the \$10 billion tech stock. Lightspeed's primary customers are small- to medium-sized brick-and-mortar retailers. It's exactly the types of businesses that arguably have suffered the most due to the pandemic.

Lightspeed demonstrated in 2020 its goal is to establish itself as a leader in the e-commerce industry. The company is far from its days of being recognized as solely a POS hardware provider. The company has spent the last several years focusing on product innovation and making global acquisitions.

Those moves have resulted in growth that has easily outpaced the Canadian market. The stock was up 140% in 2020 and is up 350% since going public in March 2019.

Investors shouldn't ignore the valuation, though. The company trades at a very frothy price-to-sales (P/S) ratio of 40 today.

Tech stock #2: Constellation Software

Constellation Software ([TSX:CSU](#)) is one of the top tech bargains on the Canadian market today. The tech stock has crushed the market over the past decade with gains of more than 3,000%.

Growth has slowed as of late, though. Shares are up 215% over the past five years. Still, Constellation Software continues to outpace the Canadian market and trades at a reasonable P/S ratio of below 10.

The growth potential of Constellation Software is nowhere near what Lightspeed can offer, but there is always room for a well-priced market-leading tech company in a long-term portfolio.

Tech stock #3: Maxar Technologies

The final company on my list offers an interesting mix of growth-potential and valuation.

Maxar Technologies ([TSX:MAXR](#))([NYSE:MAXR](#)) was up 120% in 2020, but the stock is valued at a P/S ratio of not even 3 today. The low valuation is partially due to the fact that shares are down more than 35% over the past five years.

The tech stock is in the business of building space infrastructure and data solutions, which explains why it's been a bumpy ride for Maxar shareholders over the past five years. Space stocks are considered to be speculative investments today, as the long-term market opportunity is still very unclear.

There's no denying the demand and enthusiasm for space stocks from investors across the globe, but we are still in the early days of this industry, so Canadians should invest with caution.

Foolish bottom line

If you're looking for high-growth potential and can stomach the risk, add Lightspeed to your portfolio. If you're looking to reduce your risk exposure but still want the potential to earn market-beating growth, Constellation Software is the stock for you.

And finally, if you're comfortable with your current tech exposure but are looking for an undervalued potential multi-bagger, you'll want to start a position in Maxar.

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1. Investing
2. Tech Stocks

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TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. NYSE:MAXR (Maxar Technologies)
3. TSX:CSU (Constellation Software Inc.)
4. TSX:LSPD (Lightspeed Commerce)

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