



Why Open Text Corp. Rallied 2.25% on Wednesday

Description

What?

Enterprise information management solutions provider **Open Text Corp.** ([TSX:OTEX](#))([NASDAQ:OTEX](#)) watched its NASDAQ-listed shares jump 2.25% on Wednesday following its announcement that it has acquired Hightail, Inc., a leading cloud service for file sharing and creative collaboration.

So what?

Hightail, formerly known as YouSendIt, has approximately 5.5 million customers around the world, including enterprise accounts, paid subscribers, and individual consumers.

Commenting on the acquisition, Mark Barrenechea, Open Text's vice chairman, CEO, and CTO, stated the following:

"The acquisition of Hightail underscores our commitment to delivering differentiated content solutions in the cloud that enable marketers and creative professionals to share, produce, and securely collaborate on digital content ... I am excited about expanding Hightail capabilities as well as integrating Hightail into OpenText Content Suite, Documentum, Core, and Media Management, allowing our customers to seamlessly and securely collaborate with external trading partners and vendors."

Open Text did not disclose a purchase price or provide any information on when the transaction would be completed, but it did note that the acquisition is "not expected to contribute significant revenue to OpenText's results for the fiscal third quarter ending March 31, 2018."

Now what?

I think this is a fantastic acquisition for Open Text for three primary reasons.

First, I think Hightail's cloud-based solutions will seamlessly integrate into Open Text's current offerings.

Second, Open Text will have two new and very popular services, file sharing and collaboration solutions, to offer its existing customer base.

Third, Open Text now has 5.5 million new customers, which it will be able to upsell using its vast list of existing products and services.

Even after Wednesday's +2% pop, Open Text's stock is down more than 8% since [its 12.7% rally](#) following its blowout second-quarter earnings results; I think the stock is a strong buy today, because it's wildly undervalued at a mere 13.5 times fiscal 2018's estimated earnings per share of US\$2.63 and because it has a solid 1.5% yield [with a reputation](#) for dividend growth.

With all of the information provided above in mind, I think Open Text's stock is heading significantly higher in the weeks, months, and years ahead, so take a closer look and strongly consider making it a long-term core holding.

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