



## 2 Market-Beating Tech Stocks You Don't Want to Miss

### Description

It's true that south of the border, there are [more tech stocks to choose from](#). However, we have some market-beating, homegrown, Canadian tech stocks as well. Here are a couple: **Open Text Corp.** ([TSX:OTEX](#))([NASDAQ:OTEX](#)) and **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)).

Since the U.S. market tends to outperform the Canadian market, I'll use the **SPDR S&P 500 ETF Trust** (NYSEARCA:SPY) as a benchmark to see how much Open Text and Shopify have outperformed. Will they continue beating the market? Let's explore!

### These Canadian tech stocks are winners

Since the summer of 2007, before we saw the market downturn due to the last recession, an investment in Open Text on the TSX has delivered ~21.1% per year. In the same period, SPY delivered ~6.7% per year.

Although Open Text only started paying a dividend in 2013 and had an initial yield of ~1.4%, the tech stock still managed to generate ~70% more income for its shareholders than SPY since the summer of 2007. This is thanks to Open Text's fabulous dividend growth. In about five years, Open Text's dividend has grown nearly 700%.

Shopify is a young public company relative to Open Text, but since it began trading on the TSX in May 2015, the stock has nearly quadrupled! It goes without saying that Shopify has beaten the market hand over fist.



## Open Text and Shopify are in growing industries

As enterprise data continues to grow at a high rate, the demand for Open Text's software and cloud services will increase. Additionally, Open Text owns data centres globally and helps companies comply with information privacy and security legislation in different countries.

Open Text has been a successful acquisition-and-integration story with a focus on profitable growth. The company generated sales of nearly US\$2.3 billion, of which ~41% came from outside the Americas in fiscal 2017. Since fiscal 2006, the Canadian tech company's earnings per share has increased *every single year*. Moreover, its free cash flow generation has climbed in the long haul, albeit with some cyclicity.

Shopify is the leading multi-channel commerce platform for businesses with merchants from ~175 countries. It initially focused on solving the problem of selling on different platforms for entrepreneurs and small businesses, but it has evolved to also create solutions for big brands, such as **Nestle** and Red Bull.

Shopify is growing fast. It now has ~600,000 active merchants — an increase of 20% from late November 2017. Its gross merchandise volume increased 71% in 2017 to US\$26.3 billion. These numbers will only continue to grow as businesses sell more online.

## There's a big difference between the two stocks

Open Text is [reasonably priced](#); its stock price is backed by earnings and cash flow. The stock is estimated to grow its profitability north of 13%. So, investors can conservatively expect dividend growth of ~10%.

Shopify is what some investors would call a speculative growth stock. The company hardly reported any earnings. It had adjusted earnings per share of US\$0.16 in 2017, which equates to a multiple north of 700! If we look at the company's valuation based on its operating cash flow, it looks better with a forward multiple of ~210.

In either case, the stock looks super-duper pricey. That said, the meaningful dip the stock has experienced lately could be a great long-term entry point for investors looking for aggressive growth.

## CATEGORY

1. Dividend Stocks

2. Investing
3. Tech Stocks

## TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:OTEX (Open Text Corporation)
4. TSX:SHOP (Shopify Inc.)

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