



A ~7% Drop? This Is Another Opportunity to Buy This Tech Stock

Description

Here **Open Text Corp.** ([TSX:OTEX](#))([NASDAQ:OTEX](#)) goes again. It's not uncommon for its stock to make a big move after a earnings report.

Despite that the company experienced double-digit growth, the market punished the stock by pushing it down by ~7%. Seriously, the market is so hard to please.

OpenText's Q3 results

Here are some key metrics compared to the same period in 2017:

	Q3 fiscal 2017	Q3 fiscal 2018	Change
Total revenues	US\$593.1 million	US\$685.9 million	15.6%
Annual recurring revenues	US\$440.5 million	US\$521.4 million	18.3%
Diluted earnings per share	US\$0.45	US\$0.54	20%
Adjusted EBITDA	US\$189.1 million	US\$227.2 million	20.2%
Operating cash flows	US\$156.3 million	US\$270.7 million	73.2%

Notably, some of the growth was helped by favourable currency exchange. On a constant-currency basis, OpenText experienced total revenue growth of 10.8%, annual recurring revenue growth of 13.9%, and diluted earnings-per-share growth of 13.3%.

Perhaps OpenText's double-digit growth for the quarter was eclipsed by its [higher growth experienced in Q2](#) (compared to the same period in the previous year). At the time, the tech company released its Q2 results, the stock popped as much as 15%. However, the stock couldn't maintain its altitude.



Now is the time to pick up some OpenText

In the linked article, I'd said, "Since the stock has just run-up, it is unlikely to move much higher in the near term. That said, the dividend-growth company is reasonably valued today. Interested investors can begin scaling in to the stock. Cautious investors should buy on any weakness — perhaps a dip to the low \$40s."

Now that the stock is trading in the low \$40s, it's time to consider picking up some shares. At ~\$43.90 per share, OpenText trades at a forward price-to-earnings multiple of ~13, which is very reasonable for its growth rate, which is expected to be north of 10%.

OpenText offers a growing dividend

After the dip and the fact that OpenText just hiked its dividend by 15%, the stock now offers a yield of almost 1.8%, which is at the high end of its historical range. OpenText has increased its dividend for five consecutive years.

The company's three-year dividend-growth rate is 15.3%. OpenText's payout ratio is estimated to be ~23% this year. So, it's still reinvesting a large portion of its earnings back into the business.

How much upside does OpenText have?

The analysts are positive on OpenText on a collective basis. The **Bank of Nova Scotia** analyst has a 12-month target of US\$45 per share on the stock, which represents ~32% near-term upside potential.

Investor takeaway

OpenText is a reasonably priced [tech stock](#) for double-digit growth and a growing dividend, as long as you pick it up at a reasonable price. Right now, in the low \$40s, the stock is trading at a reasonable valuation.

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