

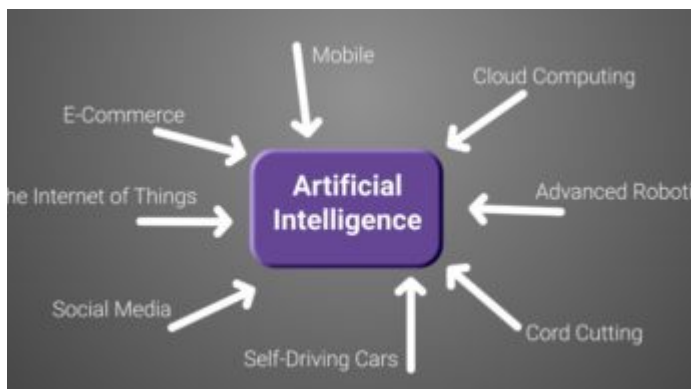
How This Top-Notch Tech Stock Delivered 560% in the Last 10 Years

Description

Invest in tech stocks if you're looking for growth. Look for companies that have outperformed in the long run. **Open Text Corp.** ([TSX:OTEX](#))([NASDAQ:OTEX](#)) is an excellent example.

Since 2000, on the NASDAQ, Open Text stock has delivered an annualized return of 16.8%, despite its price-to-earnings multiple having contracted from about 23.8 to about 15. That's because its earnings per share have increased at a compound annual growth rate of more than 36%!

In the last decade or so, the stock has delivered an annualized return of 17.9% with earnings-per-share growth of about 16% per year on average. On the Toronto Stock Exchange, Open Text stock has delivered an annualized return of 20.9% in the period, which equates to a total rate of return of 560%!



Sources of growth

Open Text grows organically, by acquisitions, and through its annual recurring revenue. On top of that, its industry is a growing pie as well, as enterprise information continues to grow at a rapid pace.

Open Text most recently estimated that it has about 120,000 customers, 100 million end users, 50 million secured end points, and one exabyte of information under management.

Open Text has been generating good returns on equity (ROE) and returns on assets (ROA). Since

2011, it has achieved ROE and ROA of at least 11.1% and 5.4%, respectively, every year. These metrics indicate that management is investing in the right places.

The company's annual recurring revenue, which includes its cloud services, subscriptions, and customer support revenue, has increased at a rate of nearly 20% since 2012.

Lots of room to grow

Open Text has lots of runway to grow. It is a global enterprise information management company, which empowers businesses to manage, leverage, secure, and gain insight into their information on premises or in the cloud.

It has operations in the United States, Canada, Europe, Middle East, Africa, and the Asia-Pacific region.

The company is growing, particularly with the incorporation of managed services, Internet of Things, the cloud, artificial intelligence, and the security of information.

Dividend growth

Although Open Text only offers a dividend yield of about 1.6%, it has the ability to grow the dividend by 10-15% per year. So, shareholders' yield on cost will increase quickly over time.

For instance, in 2013, investors got a 1.8% yield on the stock. By 2017, the yield on cost was more than 14%! Open Text has increased its dividend per share for five consecutive years with a three-year dividend-growth rate of 15.3%.

Investor takeaway

Open Text stock is reasonably valued at about \$50 per share as of writing. Investors looking for a stable growth name in the tech space can begin scaling in to the long-term [outperformer](#).

Notably, the stock has run up almost 20% in the last 12 months, and it's known to experience occasional [meaningful dips](#) of 6-8% from a high. Therefore, cautious investors might consider the stock when it experiences such dips to get more value for their dollar.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

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