



## Why Analysts Love This “Under-the-Radar” Tech Stock

### Description

The world of technology can be a fickle place. Tech media has a tendency to cover “hot,” trendy companies, leaving lesser-known businesses behind. Because of this, many tech investors focus on headline-stealing social media darlings, forgetting about equally worthy but less “buzzzy” plays.

All the more reason to pay attention to lesser-known tech stocks. Just because a company isn’t well known doesn’t mean the stock isn’t good. The obscure upstart of today could be the media darling of tomorrow. And often, it’s the lesser-known stocks that represent true bargain plays.

With that in mind, let’s take a look at a little-known tech stock that might be a great investment.

**Open Text** ([TSX:OTEX](#))([NASDAQ:OTEX](#)) is a Waterloo-based company that sells enterprise information management software. Its main product, OpenText Web Site Management, lets users manage website content in a fashion similar to services like WordPress and Drupal. Another one of the company’s services, Captiva Software, offers document information processing and data capture. Many of OpenText’s products have won tech industry awards.

### A growing tech empire

Open Text is a rapidly growing company. It is aggressively pursuing expansion through marketing and acquisitions, having recently purchased **Dell’s** ECD division. The company did over \$2.72 billion in revenue in 2017, up 15% from 2016. Net income is growing faster than revenue, with adjusted EBITDA [up 20.2% year over year](#).

Along with this strong financial performance came [steady price gains](#). Open Text’s stock is up about 20% compared to this time last year — a solid if not earth-shattering gain.

### A tech stock with income

One thing Open Text has to recommend it is an annual dividend. The yield is approximately 1.66%, which won't make any headlines, but for an industry that's not known for big dividends and where negative earnings aren't unheard of, it's above the class average.

### **An analyst favourite**

One positive sign for Open Text is the good press it has been getting with analysts. According to the *Wall Street Journal*, 14 analysts rate it a buy, one rates it as a hold, and another one rates it as a sell. This constitutes overwhelmingly positive analyst sentiment — and looking at Open Text's growth rates, it's no wonder analysts are in love with it.

### **Bottom line**

When in investing in tech stocks, it can be tempting to follow the herd. The hottest tech companies tend to dominate headlines — not just in the tech press, but in the financial media as well. But very often, this overzealous coverage can drive the biggest tech companies to insane valuations, and as the recent **Facebook** sell-off shows, what goes up may soon come down.

Open Text is not the hottest tech stock in the world. And that may be precisely why analysts are in love with it. This stock offers solid growth and income without the nosebleed valuations some tech darlings are burdened with. All in all, it's a worthy pick for any tech investor.

### **CATEGORY**

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2. Tech Stocks

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