



Here's a Different Waterloo-Based Tech Stock to Consider

Description

Whenever mentioning a Waterloo-based tech operation, our minds automatically go to a certain former [smartphone hardware developer](#) turned software company in recent years. What few investors don't realize is that there's another company based out of Waterloo that has 10,000 staff working in 30 different countries around the world on a suite of Enterprise Information Management (EIM) products that cater to different areas of business.

The company that I'm talking about is **Open Text** ([TSX:OTEX](#))([NASDAQ:OTEX](#)), which should be on the radar of every investor.

Let's start by taking a look at the company's recent quarterly and annual results.

Q4 and fiscal 2018 results

Total revenue in the quarter came in at US\$754 million, reflecting an increase of 14% over the same period last year. On an annual basis, the company finished fiscal 2018 with a record-breaking US\$2.8 billion in revenue, beating the same figure in last year by 23%.

A big contributor to the bottom line of any software company is recurring revenue, and Open Text finished the year with a 22% growth in recurring business. Mark J. Barrenechea, CEO & CTO of the company, noted that much of that growth was due to the growth of a number of the product lines at Open Text, specifically mentioning support, cloud, business networks, security and product lines, all of which witnessed double-digit growth.

Perhaps most impressive was the over US\$1 billion in adjusted EBITDA and operating cash flows of US\$710 million for the year, which was up an incredible 62% over last year.

What about 2019?

Investors that were pleased with Open Text's performance in 2018 will no doubt be equally, if not more, pleased with what the company has planned for the next year.

Open Text announced that it would undergo a series of measures tasked with making the company more efficient, and ultimately increase margins beyond their current already impressive levels. A more efficient organization with higher margins would ultimately result in better funding for additional acquisitions beyond the three primary acquisitions that were completed in 2018.

An interesting point regarding Open Text's acquisitions relates to how complementary they are to each other. One example of this is Hightail Inc., which Open Text acquired earlier this year. On its own, Hightail, which specializes in file sharing and collaboration solutions, is an outstanding product. But package that product into a full suite of other products, and you've suddenly created an intriguing moat for businesses that are only going to grow in the years ahead.

Why you should invest in Open Text

Open Text currently trades at just over \$50, up 12% year to date. Over the past year, the stock has soared over 25%. While not as appetizing as other income investments, Open Text offers shareholders a quarterly dividend that pays a 1.56% yield.

In short, Open Text provides ample growth, has a diversified and growing portfolio of products that cater to a specific niche business market, and provides a quarterly dividend.

Open Text is a great long-term investment for any [tech-seeking investor](#). Buy it and watch it grow.

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dafxentiou

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