# Buy These Tech Stocks for Growth

## Description

Tech stocks are exciting to own. If they do the right things and execute well, investors can generate very handsome returns. **BlackBerry** (TSX:BB)(NYSE:BB) is a speculative investment that offers explosive growth potential down the road. **OpenText** (TSX:OTEX)(NASDAQ:OTEX) has been a success story with the stock delivering annualized returns of 15% since before the last recession.



## A speculative growth stock

BlackBerry is a turnaround story; is revenue has been on a decline since 2011. That said, last fiscal year, the company turned a profit with net income of US$405 million. It also generated operating cash flow of US$704 million and free cash flow of US$689 million after subtracting the capital spending.

In the last four reported quarters, BlackBerry's net income and operating cash flow were US$32 million and -US$80 million, respectively. Until BlackBerry sustains its earnings or cash flow growth, it remains a speculative stock.

Investing in BlackBerry requires a long-term view. The company is in a growth phase with a focus on building security for the Enterprise of Things, the ecosystem of which is going to take time to develop and mature.

It's not a bad time to invest in BlackBerry stock, though, which has fallen 41% in the last 12 months. **Thomson Reuters** has a 12-month mean target of US$10.90 per share on BlackBerry, which represents about 42% near-term upside potential.


BB data by YCharts. The three-year price action of NYSE:BB and NASDAQ:OTEX.



## A tech stock with double-digit growth

If you don't want a speculative tech stock, consider OpenText. Management has been successful with its acquisition strategy, which has helped contribute to growth. OpenText's three-year revenue growth rate is about 15%. In fiscal 2018 that ended in June, it generated total revenue of US$2.8 billion.

In the last four reported quarters, OpenText generated operating cash flow of US$814 million and almost US$715 million of free cash flow. The company's earnings per share increased by about 14% per year on average over the past three years.

Don't be put off by its small yield of about 1.8%; healthy earnings growth and cash flow growth has allowed the tech stock to increase its dividend per share by about 15% per year on average over the last three years. If it maintains its dividend growth at that rate, you can double your income from the stock in about five years.

Enterprise data will only continue to grow, if not at a faster pace than before with the advent of 5G and the Internet of Things. So, OpenText, which helps enterprises manage information in all shapes and forms, has a long growth runway.

## Investor takeaway

Investors can consider BlackBerry and OpenText for growth in the tech space. Both stocks look undervalued. Conservative investors should stick with OpenText, which has a track record of success.

**CATEGORY**

1. Dividend Stocks
2. Investing
3. Tech Stocks

**TICKERS GLOBAL**

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2. NYSE:BB (BlackBerry)
3. TSX:BB (BlackBerry)
4. TSX:OTEX (Open Text Corporation)

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**Date**
2025/07/26
**Date Created**
2019/01/18
**Author**
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