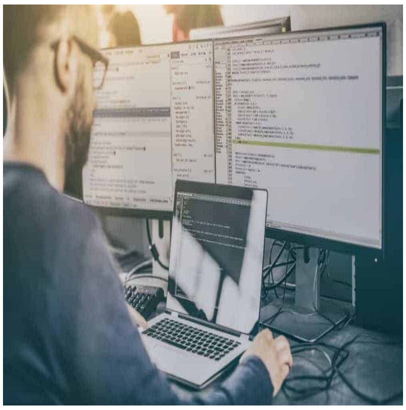

A Rare Canadian Dividend Aristocrat in the Technology Sector Is Now on Sale

Description

The TSX Index is up over 15% in 2019. Unfortunately for **Sylogist** (TSXV:SYZ) owners, a rising ship has not risen all tides. Sylogist has been mired in an all-year slump, losing almost 16% of its value year to date. It has effectively erased the majority of gains from the previous year and is now trading in line with were it was at this time last year.

This enterprise resource planing (ERP) software company was one of my [favourite tech stocks] heading into 2019. So, what happened?

Company performance

Outside of its dismal share performance, Sylogist has been performing quite well. The most recent downtrend began in conjunction with the release of first-quarter results. It was a quarter in which the company missed on revenue and where earnings were in line with estimates. The revenue miss was only 2.5% and did not justify the 15% drop in the weeks that followed.

The company posted a blowout 2018 in which it saw a material increase in revenue (16%), earnings per share (84%) and cash flow (37%). In the first quarter of 2019, the company's results were a little more mixed. Revenue grew revenue by 7% and earnings per share dropped by a penny. Cash from operating activities increased by 10.5% and adjusted EBITDA increased by 7%.

Despite a mixed first quarter, this is still a company that has grown revenue and income at a compound annual growth rate in excess of 25% over the past five years.

A growing dividend

Sylogist has the distinction of being the only TSX Venture-listed stock that is a Canadian Dividend Aristocrat. This small cap has an impressive [eight-year] dividend-growth streak — a streak in which it has averaged 15% dividend growth annually.

The company yields an attractive 3.44%, which is near the high end of its five-year average. The best part? It has plenty of room to grow. The dividend accounts for only 58% of earnings and 70% of free cash flow. Another positive sign: the company's share count has been on a downtrend, as Sylogist has a prominent buyback program.

Valuation

After the recent downturn, Sylogist is now trading at attractive valuations. It is currently trading at a price-to-earnings ratio of 19.39, well below its five year average of 77 times earnings. Likewise, it is currently trading at a P/E-to-growth (PEG) ratio of 0.98, which is a sign of undervaluation. A PEG under one signifies that its share price is not keeping up with its expected growth rate.

Foolish takeaway

At the beginning of 2019, Sylogist was one of my top tech stocks for income. At today's valuation, the company looks attractive. It is also worth mentioning that Sylogist has a 14-day relative strength index (RSI) of 24.09. An RSI below the critical indicator of 30 is a sign that the company is oversold and may be due for a bounce.

It also remains a top income stock, one of only a handful in the technology sector. Sylogist has vaulted to the top of my watch list.

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