Is This Tech Stock a Buy Today?

Description

On the back of deteriorating trade talks, America technology stocks have started to experience a bit of a setback. While the effects are not yet dire, there is definitely downward pressure on these companies that have for so long helped to power the decade-long run in the American stock markets. These companies aren't cheap, but a combination of retreating prices and rising earnings have certainly made these stocks cheaper than they were a year earlier.

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But what about Canadian technology companies? Although Canada has a somewhat sparser selection of stocks than the U.S. to choose from, there are some quality names that could appeal to investors searching for technology stocks trading on the Canadian stock exchanges. **Open Text Corp.** (TSX:OTEX)(NASDAQ:OTEX), the information management company, certainly fits this bill, and the dividend tax credit gives it an edge over an America stock paying a similar dividend.

Unfortunately for investors looking for an American-style pullback, Open Text has not moved downward to a significant degree. The stock is presently trading near its all-time high at a price of over $40 a share at writing. This isn't an especially bad thing given the stock's historical performance and low valuation, however. Over the past several years, there has been the occasional pullback, but most material moves downward have been linked to general market conditions rather than corporate performance.

Earlier this month, Open Text reported its third-quarter 2019 results, which were quite encouraging. Total revenues were up 5% year over year. Annual recurring revenues were up the same amount, and it is these recurring revenues that the company views as the backbone of its corporate achievement. Operating cash flow was up 6%, and adjusted EBITDA was up a solid 15% over the same quarter a year before.

This company is also not especially expensive, trading at a forward price to earnings ratio of 13.8 and a price to book of 2.9. For a tech company, this valuation is definitely on the lower end.

The tax-advantaged dividend on this company is another reason to take a look at it as a potential addition to your portfolio. Its dividend of 1.72% is pretty attractive on its own given that it's a technology company, but it is the dividend growth rates that really draws attention. Open Text continued a string of raises, boosting the payout by 15%. Given the growth in the business, these increases should continue as the company continues to grow.

A good buy at a decent price

Open Text has not yet meaningfully pulled back in the same manner of American tech stocks, but that should not necessarily be a reason to stay away from the stock. Its long-term returns have been strong, both in terms of capital gains and dividend increases. Over time, investors will likely be rewarded if they begin to acquire shares of the company and stay the course.

Nevertheless, it might be a wise idea to see whether a continued pullback in American tech stocks bleeds over to bring down Canadian companies. If this occurs, you may have a better opportunity to enter the stock at a more discounted price point.

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