Forget Shopify (TSX:SHOP): This Growth Stock Has Much More Potential

Description

If you invested in **Shopify** (TSX:SHOP)(NYSE:SHOP) sometime last year, you're probably feeling pretty darn good about yourself right now. After reaching about $200 per share and then sinking down to about $160, the stock has since risen, and risen quickly. Since the new year, Shopify has grown an incredible 103%, reaching an all-time high of about $445 per share in the last month.

But again and again, analysts have been warning investors about the company's valuation. While the firm is incredibly strong and set up for further gains in the future, it has yet to make a profit. Its value is taken into consideration with analyst estimates, and those estimates put the stock's worth at around $210 per share. That's about half of where it traded only about a week ago as of writing. In fact, should a recession hit, this stock could drop like a hot stone.

Now, if you've invested in Shopify, you don't need to sell this strong company set up for a huge future. However, if you're looking for another company with huge growth potential, I would recommend **Open Text** (TSX:OTEX)(NASDAQ:OTEX).

This stock has been growing steadily for the last few decades, with some serious jumps in the last few years. Even just a decade ago, the stock was trading at about $10.50 per share compared to today at around $55 per share — an amazing increase of about 425%.

But analysts believe this stock is setting itself up for even more future growth, starting with two recent cloud-based acquisitions made with its steadily increasing cash flow. Once these acquisitions come online, free cash flow should increase even further for this software company.

The cash will help the company continue to payout its solid dividend yield of 1.72% as of writing — something Shopify doesn't offer. That dividend is also safe, as the company is in a sector that isn't going anywhere any time soon. The company designs, develops, markets, and sells enterprise information management (EIM) software and solutions — an industry worth about $40 billion. It's also an industry safe from trade wars, fluctuations in markets and the like, as the entire world is so dependent on software systems running smoothly. The only thing Open Text depends on is its own performance.

That performance looks great for the foreseeable future, given that the firm generates about $2.5 billion in annual recurring revenue, with 75% of it coming from total annual sales. In its latest quarter, total revenue increased 5% year over year, operating cash flow 6%, and EBITDA a solid 15% compared to the same quarter last year. The stock has also brought down its level of debt to net worth from 85% to 68.2% in the last five years.

Foolish takeaway

While Shopify can be an exciting stock to get behind, it definitely needs to come down again before it gets any more of my money. Meanwhile, Open Text offers investors another strong growth opportunity with a dividend that will keep you coming back for more. Also, the stock has a longer history of strong share increases, and coupled with a strong balance sheet, this should make investors eager to pick up this stock.

In fact, if you were to buy and hold this tech stock for the next 10 years, an investment of $5,000 could be worth about $21,620 in that time. Of course, these are only recommendations, but if you're looking for a strong stock with a steady future, Open Text belongs next on your potential buy list.

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