2 Top Tech Growth Stocks to Buy Right Now

Description

For growth-oriented investors, the technology sector is still one of the best to look towards to find excellent stocks. With consumers constantly looking for the next big thing, the right idea and execution can quickly send a company's revenues through the roof. Let's look at two excellent growth stocks within the technology sector: **Open Text** (TSX:OTEX)(NASDAQ:OTEX) and **Constellation Software** (TSX:CSU).

A leader in the enterprise information management industry

OTEX has provided strong returns in the past few years. Since 2011, the firm's share price is up more than 420% — a return that obviously dwarfs that of the S&P/TSX Composite Index over the same period. What is behind this terrific performance? First, the firm is one of the leaders in its industry.

OTEX provides cloud-based information management services — an invaluable tool for enterprises in today's fast-paced world. Specifically, the Ontario-based tech firm helps its clients manage their information more efficiently to better identify ways in which they can help their clients and, ultimately, improve their efficiency.

However, OTEX has had trouble generating organic growth recently. The firm's decelerating rate of growth hasn't gone unnoticed, as its attention has turned more towards acquisition to spur more growth.

After the firm released its latest earnings report, which showed a 5% increase in its revenue (including recurring revenues increase of 5%, and cloud revenues growth of 14%), Mark J. Barrenechea, CEO of OTEX had this to say: "Our commitment to Total Growth leverages the Open Text Business System as a framework for both organic growth and future M&A opportunities. With this framework we are well positioned to scale Open Text to new levels in the coming years." In short, with the combination of organic growth and acquisitions, OTEX is poised to continue delivering market-beating returns.

Growth through acquisitions

Speaking of acquisitions, Constellation Software has built its business around making shrewd ones. The tech firm — which provides a variety of software services to over 125,000 customers across many different industries — has made it a habit of acquiring smaller, promising companies. CSU has very stringent criteria for acquiring a particular firm, which ensures that the result will benefit all parties involved and eventually improve the company's bottom line.

The results of this strategy speak for itself. Over the past five years, the company's revenues have grown by 83%. The firm's profits have fared even better, soaring by 268% over the same period. CSU's share price has followed a similar trajectory, soaring by 373% over the same period.

Of course, many analysts have been ringing alarm bells about CSU for years. The firm's stock price seems significantly overvalued. At writing, CSU is trading at about 55 times past and 29 times future earnings, metrics with which it has become accustomed. Despite the alarm bells, though, the tech firm has continued its march forward. This is in part due to the strong competitive advantage it has created.

CSU generates a significant portion of its revenues through recurring sales and contracts. The company's services also carry high switching costs. As the number of companies under its umbrella increases, CSU should keep generating strong revenues and profits, even if organic growth slows. Thus, the company might be an excellent option to consider for growth investors, despite its high price tag.

The bottom line

Of course, past success is no guarantee of future success. However, both OTEX and Constellation Software have proven that their strategies can lead to market-beating returns. Growth-oriented investors would do well to take notice.

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1. Investing
2. Tech Stocks

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