Why You Should Invest in These 2 Canadian Tech Stocks

### Description

Although the popular **Shopify** stock surged this year on the **Toronto Stock Exchange** (TSX), Tax-Free Savings Account (TFSA) investors should look at these two technology stocks instead.



**Kinaxis** (TSX:KXS) and **Open Text** (TSX:OTEX)(NASDAQ:OTEX) are in industries with higher growth expectations, larger profit margins, and much less competition. Both companies provide cloud-based enterprise data analytics software. Cloud-based software, data analytics, and artificial intelligence capabilities are the next big technology revolution.

Both these companies are much better options than the more expensive Shopify. Between Open Text and Kinaxis, Open Text is more than likely the better choice for TFSA investors hoping to profit from both capital gains and high dividend yields.

Not only is Open Text the less expensive option, but it also offers a dividend yield of 1.69% annually.

## Open Text free cash flow higher than Shopify

Open Text is more profitable than both Shopify and Kinaxis, and yet shares in this stock sell for much less at $52.86 per share. At $772.34 million per year, Open Text's levered free cash flow (FCF) is much higher than both Shopify and Kinaxis. To compare, Shopify's FCF is a mere $18.21 million, while Kinaxis only pulls in $28.27 million.

Kinaxis and Shopify are both overvalued. Shopify stock currently sells for almost $367 per share, and Kinaxis shares cost nearly $79. Shopify doesn't even pull in positive annual earnings per share (EPS). Last year, Shopify's EPS came in at around negative $0.71.

Kinaxis EPS can almost compete with Open Text, but not really. For 2018, Kinaxis reported annual earnings per share of positive $0.62. As Kinaxis isn't as expensive as Shopify, Kinaxis is still an excellent investment opportunity – just not as good as Open Text.

## Kinaxis serves the profitable aerospace and defense industry

There’s a lot of money to be made from the government – and Kinaxis understands how to sell to government clients. This means that Kinaxis is not your typical software company. It offers a platform along with a business development strategy with the potential to triple its earnings over the next five years.

Kinaxis software is designed to manage global supply chain operations throughout the United States, Europe, Asia, and Canada. Post-Huawei scandal and the increase in cyber warfare between world governments put supply chain security in increased focus.

Supply chain threats, particularly in technology, automobile, and aerospace, are a top priority for Western countries particularly our neighbour to the south. U.S. president Donald Trump’s trade war with China and accusations of espionage through global corporations opens the door for Canada to position itself as the trusted cloud-based software solutions provider.

## Foolish takeaway



Open Text shares a similar business model as that of Kinaxis, and boasts partnerships with some of the world’s top technology and consulting firms. These corporations include SAP SE, Microsoft, Oracle, Salesforce.com, Accenture, and Deloitte Consulting. Because Open Text issues dividends to shareholders, Open Text is the best TSX investment a TFSA investor can make in a technology corporation.

That’s not to say that Kinaxis shares aren’t worth their weight, however. They certainly are – and in the next couple of years, Kinaxis is also likely to offer a healthy dividend yield like Open Text. For Canadian savers with extra money to invest, Kinaxis is an excellent Canadian technology investment to make today.

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debraray