



TFSA Investors: 2 Overlooked Tech Stocks That Pay Dividends

Description

Tech stocks aren't known for paying dividends.

With most tech companies focused on growth, they generally prefer to invest their money rather than pay it out to shareholders.

Over the last five years, that has worked out well, with the NASDAQ having outperformed the S&P 500 by 29%.

If you're looking for big capital gains, tech stocks have historically been your best option. If you want to get some of that tech money while also earning dividends, you're not entirely out of luck either. Though their yields are usually low, there are a select handful of tech stocks that pay cash to shareholders. Some of them even offer excellent dividend growth. The following are two of the best ones currently trading on the TSX.

Open Text

Open Text ([TSX:OTEX](#))(NYSE:OTEX) is an enterprise software company that offers content management, collaboration, customer experience and data analytics solutions.

The company is investing heavily in AI, especially in its data analytics software. It's also [spending big money on acquisitions](#) and has, in fact, acquired the lion's share of its software offerings by buying out smaller companies.

This strategy has worked out well for Open Text over the years. In its most recent quarter, it increased its net income by 17% year over year and its operating cash flow by 12% year over year.

Open Text shares pay a dividend that yields 1.75% annually as of this writing. Additionally, the company has seen spectacular dividend growth over the past five years, with an average annual dividend increase of 19%. Remember, dividend investing isn't just about the yield you can get today; it's just as much about where the payout will be tomorrow, and OTEX is very promising in this regard.

Constellation Software

Constellation Software ([TSX:CSU](#)) is a diversified software company that develops a number of back-end solutions for businesses.

Its software offerings provide industry-specific functionality to businesses, including food & beverage, services, utilities and public sector management. Its niche focus gives many of its subsidiaries "economic moats" that keep them safe from competition.

The company's strategy of acquiring highly niche-focused software companies has paid off, with its stock having risen more than 480% since 2014. This year, the company is still growing at an impressive rate, having increased revenue by 12% and adjusted EBITDA by 19% in the most recent quarter.

CSU stock would be a worthy pick just based on growth alone. However, that's not the only benefit it offers. In addition to strong growth prospects, [the stock also offers a dividend](#), and while the yield is very low at 0.4%, it has seen some increases over the years.

While Constellation Software isn't quite the income earner Open Text is, it has stronger growth prospects, so this may be a good play if you want to get a mix of income and growth in your portfolio.

CATEGORY

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TICKERS GLOBAL

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2. TSX:CSU (Constellation Software Inc.)
3. TSX:OTEX (Open Text Corporation)

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