



This Technology Stock Is the Best Buy for 2020

Description

New partnerships and acquisitions confirm that **OpenText** ([TSX:OTEX](#))([NASDAQ:OTEX](#)) is still the best technology stock on the TSX.

This week, OpenText made two important announcements. First, OpenText has partnered with Reville Software to develop and launch expanded Content Security services. Second, OpenText will acquire all outstanding shares of **Carbonite**, a cloud-based subscription data protection provider to small- and medium-sized businesses and consumers.

These two business development moves set the stage for OpenText to continue outperforming Canada's software market. Every Canadian investor should own some shares of the dividend stock, OpenText, in their Tax-Free Savings Accounts or Registered Retirement Savings Plans.

Content security closes weaknesses in cloud storage

The Reville Software prevents malicious users or compromised user accounts from editing files, corrupting information, or uploading malware in content repositories.

OpenText Content Security uses the Reville software to create security alerts for OpenText Documentum, Content Suite, and InfoArchive customers.

As cloud data storage services become more prevalent, increasing numbers of businesses require advanced cybersecurity software to protect their information.

This is a high-growth vertical with substantial room for continued innovation. Moreover, as a highly skilled industry, cybersecurity is a field with very little competition, meaning OpenText has a long-term competitive advantage in the industry.

OpenText expands cloud-based data protection assets

OpenText will purchase all shares of Carbonite for \$23 each for a total purchase price of \$1.42 billion, an acquisition that will allow OpenText to connect with customers through Carbonite's marquee SMB/prosumer channel and products. The purchase price is around 2.8 times the trailing 12-month GAAP revenue.

The most crucial point for shareholders to know is that OpenText is financing this acquisition with cash and its line of credit, meaning that interest payments are less likely to erode shareholder returns. Less debt and interest payments mean higher free cash flow and continued increases in the stock's price!

GAAP stands for "Generally Accepted Accounting Principle." It defines what counts as revenue to avoid stocks propping up their income with unpaid invoices and allow for comparisons across time and companies.

For the most part, accrual accounting is the standard in which, as long as the company has delivered services, it may count the price charged to the customer as earned revenue.

Carbonite has a strong brand in data protection and security. The software provides cloud backup solutions for personal and business use at affordable prices. The free download and trial offer is strategic to build a growing subscriber base.

Strong price performance and healthy dividend

OpenText has had a very strong price history since its debut on the **TSX** in the late 1990s. Apart from some short-term fluctuations in value, however, the stock price has either remained flat or appreciated. Even after some temporary dives in market value, the stock has reliably bounced back with even greater force.

The dividend is not fantastic compared with other Canadian stocks in banking, insurance, and telecommunications. Nevertheless, the quarterly dividend of \$0.1746 per share is better than the nonexistent interest provided through the popular **Shopify** stock.

As far as technology stocks on the TSX, OpenText is the best option because it offers both price security and reliable dividends.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners
4. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. TSX:OTEX (Open Text Corporation)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners
4. Tech Stocks

Date

2025/09/06

Date Created

2019/11/15

Author

debraray

default watermark

default watermark