



TFSA Investors: This Canadian Small-Cap Tech Stock Can Return 15% in 2020

Description

Sometimes, opportunity knocks on your door. Sometimes, you have to go hunting for an opportunity. If you look really hard, you might discover gems hiding in plain sight. When you do find such a company, the smart money says you should start accumulating stock before everyone piles on.

One such gem is **Evertz Technologies** ([TSX:ET](#)), a [leading global manufacturer](#) of broadcast equipment and solutions that deliver content to television sets, on-demand services, WebTV, IPTV, and mobile devices (like phones and tablets).

Evertz operates in both the hardware and software space. Evertz products and solutions are found in major broadcast facilities on every continent, and their customer base telcoms, satellite, cable TV, and IPTV providers.

Financial highlights

Evertz is a company that hardly ever comes in the limelight. They announced their results for the second quarter of fiscal 2020 and the numbers didn't disappoint.

Sales for the second quarter totalled \$120 million, up 7% from the prior year. Net earnings for the second quarter were \$20.5 million,

Sales were at \$223.2 million for the six months ended October 31, 2019 compared to \$215.4 million in the same period last year, an increase of approximately 4%.

At the end of November, Evertz's purchase order backlog was in excess of \$97 million, and shipments during the month were in excess of \$39 million.

This increase was driven predominantly by the adoption of Evertz's new technologies and products and by the strength in the U.S. and Canada region, which recorded sales for the quarter of \$88.6 million, an increase of 14% from the prior year.

Evertz had a significant large U.S. network uptake in 2019, and there is a strong demand for their SDVN and IP and virtualized products in 2020.

It's not surprising given that North America is further ahead of the curve in IP adoption compared to the rest of the world. However, their international business growth has remained flat year on year.

Research and hedges

Evertz spends a substantial amount on its cash in research and development. Investments in research and development during the quarter totaled \$22.9 million.

For the six months ending October 31, research and development costs were \$45.6 million, which represented an increase of \$3.2 million over the same period last year.

It's this spend on R&D that helps Evertz customize its products and acquire new customers. The top 10 Everts customers account for approximately 49% of sales during the quarter and with no single customer over 12%. They had 124 customer orders of over \$200,000 in the quarter.

Evertz has been paying out a dividend every year since 2008. The dividend has increased from \$0.2 in 2008 to \$0.72 today. The dividend yield has crossed 4%, which is very good given that Evertz has a payout record for over a decade.

Analysts have given Evertz a price target of \$19.5 in the next 12 months. Combined with the 4% dividend yield, a smart investor can look at returns over 15%. That's not a bad choice for a market trading at record highs.

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