



Top Tech Stocks That Pay a Dividend

Description

Conservative investors tend to invest in companies that pay a dividend. Unfortunately, this has led many to avoid the top tech stocks. Why? Very few [technology companies](#) pay a dividend. Since they operate in a high-growth market, they prefer to reinvest earnings into growth initiatives.

On the bright side, there are some options for those income seeking investors. The Canadian Dividend Aristocrat list features three technology companies with a proven history of raising the dividend. Despite a flurry of [recent dividend cuts](#), none of these top tech stocks are among the cutters.

Top-performing tech stock

Did you know about a little-known **TSX**-listed technology company that outperformed the likes of **Apple** ([NASDAQ:AAPL](#)) and **Microsoft** ([TSX:MSFT](#)) over the past decade? **Enghouse Systems** ([TSX:ENGH](#)) is one of the top-performing tech stocks on the TSX Index.

A \$10,000 investment in the company 10-years ago would be worth approximately \$123,000 today. Enghouse's share price is up by 1,140% over this time frame. Not bad for a little-known technology company.

Enghouse's outperformance should not be surprising. This enterprise management software company is expected to grow earnings at a 17% clip, which is consistent with its five-year historical average. In 2020, Enghouse is up by 9%, far outperforming the 16% loss posted by the **S&P/TSX Composite Index**.

At 13 years, Enghouse owns the longest dividend growth streak among all top tech stocks. It also sports the highest average dividend growth rate. In 2019, the company raised the dividend by 22%.

The payout ratio is only 40%, and combined with expected growth rates, investors can expect double-digit dividend growth for years to come.

A dividend at risk?

Just because a company is an Aristocrat, however, it doesn't mean the dividend is safe. There have already been several Canadian Dividend Aristocrats to announce a cut, and more are likely on the way. **Tecsys** ([TSX:TCS](#)) is one top tech stock showing signs of weakness.

This supply chain management company has done quite well for investors. Although it's down 6% year to date, the stock price is up by 97.82% over the past five years.

Unfortunately, the company's earnings growth has been spotty. In 2018 and 2019, earnings growth has been negative, leading to an unsustainable payout ratio. As of writing, the dividend accounts for 153% of earnings.

On the bright side, it drops to 75% based on next year's earnings. Given that demand for its supply chain products should be strong in this environment, the company should be well positioned to maintain the dividend. Is it the safest of the group? No, but a dividend cut doesn't appear imminent.

A cheap and reliable income stock

The third and final tech-listed Canadian Dividend Aristocrat is **Open Text** ([TSX:OTEX](#)) (NASDAQ:OTEX). This serial acquirer makes a name for itself by scooping up multiple companies a year and seamlessly integrating them into the fold.

Open Text's 1.70% yield is the highest among the top tech stocks. Although this won't impress those looking for a high yield, it is growing the dividend at a 15% clip.

Can it sustain this level of growth moving forward? Absolutely. The payout ratio is only 40% and drops to 23% based on next year's earnings.

One of the most attractive aspects of the company is its current valuation. Trading at only 14 times forward earnings, Open Text has a PE to growth (PEG) ratio of 0.59, which makes it one of the cheapest technology companies on the Index.

Year to date, the company's stock price has lost approximately 3% of its value. In relation to the S&P Tech Index, which is up by approximately 10% this year, it has underperformed, presenting investors with an opportunity to pick up a top tech stock on the cheap.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. TSX:ENGH (Enghouse Systems Ltd.)

3. TSX:OTEX (Open Text Corporation)
4. TSX:TCS (Tecsyst Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing
3. Tech Stocks

Date

2025/08/13

Date Created

2020/04/22

Author

mlitalien

default watermark

default watermark