Nervous Investors: 1 Canadian Growth Stock to Withstand Volatility

Description

Are stocks still cheap? I'd argue that the answer is a resounding no. Aside from oil and financial companies, there are not a whole lot of stocks that can be labeled as cheap today. That doesn't necessarily mean that there isn't anything else to buy.

One company worth investigating is **Open Text** (TSX:OTEX)(NASDAQ:OTEX). I haven't yet re-entered a position, but I am considering buying into the company. It is a solid growth company with a great dividend. On top of that, Open Text is a software-based company that should be less impacted by the negative impacts of pandemic-based lockdowns.

A business that can withstand the lockdown

The pandemic sweeping the globe has exposed weaknesses with conventional business models and has opened the door to a new way of operating. A lockdown means that more people will become accustomed to working online out of their homes. I'm quite certain that there are a number of businesses considering a more permanent move to a decentralized system.

This company is positioned to profit from the transition to more digitized workspaces. It has a number of businesses that should be able to withstand the accelerated transition to a web-based society. Open Text's cybersecurity business, bolstered by its purchase of Carbonite late last year, will be in high demand, as more and more companies conduct their operations, meetings, and transactions online.

Open Text also has a business network arm that should be in high demand, as companies transition their operations to online workspaces. It is likely to be the case that these transitions, already in progress before the pandemic, will be expedited by companies like Open Text. The trend could continue following the return to normal business operations.

A profitable company

The company's Q2 2020 results were pretty impressive. One of the best numbers in my mind was that 73% of its revenues are now from recurring sources. Total revenues were up 4.9% year over year and recurring revenues were up even faster, up 6.5% over the same period a year earlier.

In addition to excellent operational results, Open Text also pays a rather healthy dividend. The company currently pays out a dividend of US$1.01 on an annual basis, or a yield of 1.95% at the current share price.

The bottom line

Open Text operates in a growth area of the economy, cybersecurity, and the transition to digital workplaces. Online solutions were already a profitable business before the pandemic. The work-from-home era definitely got a shot in the arm from the lockdown. It is likely that the transition will continue in the future.

I think that you could probably pick up Open Text today, since it is still trading well below its highs and will do well over the long term. It is not the fastest-growing company, and it does have a fair bit of debt for a technology company. Its growth is steady, though, and its dividend is solid. If you are looking for a Canadian tech company that will give you a steady income stream, this would be a good one to buy.

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