



2 Tech Stocks That Can Beat the Market in 2020

Description

Tech stocks have performed exceptionally well so far this year. Besides being resilient to the recent stock market crash, most of the tech stocks have also increased in value and have outperformed the broader markets by a wide margin.

Our reliance on technology has increased significantly during the COVID-19 outbreak, as people are staying indoors, leading to a higher demand for the products and services of the tech companies. Even though the economy around the world is gradually reopening, remote work or work from home will be an essential part of the new normal, resulting in sustained demand for their offerings.

Increased demand is likely to push the stocks of tech companies higher in 2020. Moreover, several stocks in the tech sector are poised to beat the market by a wide margin.

Two such tech stocks that can beat the market in 2020 by a considerable margin are **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Open Text** ([TSX:OTEX](#))([NASDAQ:OTEX](#)).

Shopify

Shopify investors have a lot to cheer, as the e-commerce giant has significantly increased in value. To be precise, Shopify stock has nearly doubled so far this year. Moreover, its stock is up about 171% in one year.

Shopify's meteoric rise is backed by the company's stellar financial performance. The company has consistently posted an impressive set of numbers. Moreover, the demand for its services has skyrocketed during pandemic-led stay-at-home orders by the governments around the world.

Shopify's revenues have grown at an astounding rate over the past several years. Further, [in the most recent quarter](#), Shopify's top line jumped by about 47% year over year. Investors should note that Shopify's monthly recurring revenues have grown at a CAGR of 50% since 2015.

Shopify's robust top-line performance continues to drive strong double-digit growth in its adjusted gross

profits. Besides, the company has successfully managed to lower costs as a percentage of sales, which supports margins.

I believe the demand for online services is likely to remain high, even after the lifting of the lockdown. Shopify's robust platform, strong competitive positioning, and operational efficiencies should continue to drive traffic, in turn, its stock in 2020.

Open Text

Open Text is [my top tech pick](#). The company has been performing exceptionally well on the financial front. Moreover, its operating metrics look solid, setting a strong base for a grand rally. OTEX stock is down about 2% so far this year, as compared to an 11% decline in the benchmark index.

Open Text has multiple growth catalysts that could continue to push its stock higher. Open Text's top line is growing at a brisk pace, reflecting continued growth in the annual recurring revenue (ARR) channels. The company's ARR, which accounted for 81% of its total revenues, increased by 20.6% in the most recent quarter. Further, the company's ARR renewal rate is over 90%, which is encouraging. Investors should note that the growing share of ARR ensures stable future cash flows.

Open Text's cloud platform has also emerged as the leading growth driver for the company. The company's cloud revenues are growing at a breakneck pace and generating stellar margins.

Open Text's transition into a cloud business, increase in ARR, strategic acquisitions, and strong balance sheet position it well to weather the short-term crisis and generate strong growth in the long term.

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:OTEX (Open Text Corporation)
4. TSX:SHOP (Shopify Inc.)

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