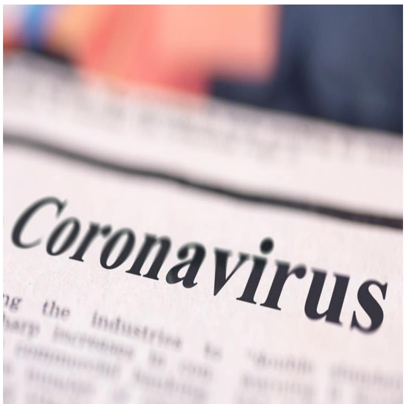

This TSX Stock Stands to Benefit From the COVID-19 Pandemic

Description

The COVID-19 pandemic has dramatically changed the way we work and live, and this change is likely to be the new normal. As we battle the virus, we are transitioning to working from home, ordering things online, and avoiding unnecessary travel. Moreover, companies around the world are thinking of an operating model where the majority of their workforce will permanently work from home after the pandemic.

Amid such a scenario, shares of companies providing products that support remote work should gain significantly. One such TSX stock is **Enghouse Systems** (TSX:ENGH). The company offers products and solutions that support remote work and visual computing.

Investors should note that Enghouse is one of the few Canadian companies that is benefiting from the COVID-19 pandemic. The demand for its software and solutions are witnessing increased demand leading to the stellar growth in its revenues and profitability.

Growth drivers

Enghouse, through its IMG (Interactive Management Group) segment, offers customer interaction software and services that support remote work and helps in managing customer communications. The demand for its product and services is on the rise and will continue to increase in the coming quarters.

Enghouse continues to benefit from the sustained momentum in its base business. Meanwhile, acquisitions remain a large part of its strategy to diversify and accelerate growth. For instance, Enghouse's recent acquisitions of Vidyo, Espial, and Dialogic have helped it to post stellar sales and earnings growth in the most recent quarter and support the expansion of its product suite.

Strong financials

Even before the pandemic-led demand, Enghouse has been performing exceptionally well. Enghouse's revenues have increased at a CAGR of 8% since fiscal 2015. Meanwhile, its top-line growth rate has just started to accelerate, implying stellar revenues in the future. The strong revenues drove double-digit growth in its EBITDA, which has increased at a CAGR of 14% during the same period.

Enghouse's low dividend yield of 0.8% might not attract you. However, its dividends have grown at a CAGR of 16% since fiscal 2015. Moreover, the company's stellar financial performance and steady growth in profitability indicate that the dividends are going to increase in the future.

Investors should note that Enghouse's revenues jumped 58% in the most recent quarter thanks to the 102% growth in its IMG segment. The IMG segment benefited from the continued strength in its base business and the addition of Vidyo and Dialogic.

Meanwhile, Enghouse's Asset Management Group's revenues also marked a double-digit growth during the last reported quarter, thanks to the acquisitions of Espial and Dialogic.

Tremendous top-line growth drove an about 81% increase in its adjusted EBITDA. Meanwhile, adjusted EBITDA margin expanded by 450 basis points to 35%. Its net income jumped by 64% in the most recent quarter, reflecting a surge in revenues and EBITDA.

Bottom line

Enghouse stock has consistently outperformed the benchmark index by a considerable margin. Its stock is up about 41% so far this year, as compared to the 8% decline in the benchmark index. Further, Enghouse stock is up about 82% in one year compared to the 3% decline in the broader markets. Also, Enghouse stock has risen by more than 150% in five years, as compared to a paltry 7.6% rise in the benchmark index.

Enghouse stock could continue to surge higher from consistent demand for its products. Besides, its strong balance sheet with minimal debt positions it well to gain from future acquisitions.

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. TSX:ENGH (Enghouse Systems Ltd.)

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