2 TSX Tech Stocks to Buy in July

Description

While the COVID-19 pandemic has decimated stocks across several sectors, including retail and airlines, companies in the technology space have managed to hold their own. The work from home trend has accelerated and companies continue to leverage technology to keep business operations running.

Here we look at two technology stocks on the **Toronto Stock Exchange** that are a top buy for investors.

This TSX tech stock has outperformed broader markets for years

Canada-based **Open Text** (TSX:OTEX)(NASDAQ:OTEX) should be on the radar of most investors. It develops enterprise software to help companies create a sustainable advantage in the digital economy. The Canadian tech giant aims to accelerate the business transformation of businesses and governments.

Its comprehensive OpenText EIM (enterprise information management) platform and a suite of software products and services provide secure and scalable enterprise-facing solutions.

OpenText's EIM solutions are designed to enable companies secure information, allowing them to identify threats across networks, gain insights through analytics and automation as well as stay ahead of the technology curve.

OpenText's digital applications integrate content services, business networks, analytics, and AI security, providing an optimized customer experience. Its portfolio of products also improves employee engagement, asset utilization, and supply chain efficiency.

Open Text has focused on inorganic growth to increase its top-line. In the last five years, it has deployed close to $5 billion for acquisitions. The company runs a value-oriented M&A play-book with a strong focus on balance sheet strength and maintaining liquidity.

Open Text has over 100,000 customers and generates over 75% of sales via subscriptions. Its annual recurring revenue (ARR) renewal rates are north of 90%, indicating high customer satisfaction. A subscription-based business model ensures a steady stream of revenue, which will help offset business cyclicality. This model has helped Open Text outperform several companies on the TSX during the ongoing COVID-19 pandemic.

Open Text stock has returned 131.4% in the last five years, compared to the broader index returns of just 6.2%. In the last 10 years, OTEX stock is up 486% compared to index returns of just 35%. OTEX focus on inorganic growth, its strong balance sheet, and a robust business model makes it a top bet for the upcoming decade as well.

Constellation Software is up 3,600% in the last decade

If you think OTEX has outperformed the index, another TSX tech giant **Constellation Software** (TSX:CSU) has crushed market returns. CSU shares have returned a staggering 3,600% in the last 10 years and are up 196% in the last five years.

Constellation Software is another company that is aggressively acquiring software companies. The company states, “Our mission is to acquire, manage and build market-leading software businesses that develop specialized, mission-critical software solutions to address the specific needs of our particular industries.”

This strategy helps CSU to provide market-leading software services to companies in the private and public sectors. It has over 125,000 enterprise customers spanning over 100 countries.

CSU is one of Canada’s largest tech companies. As it acquires profitable firms that provide mission-critical services, the switching costs are high and so are customer retention rates.

Similar to Open Text, CSU is also somewhat recession-proof due to its subscription-based business, making it a winning bet for long-term investors.

CATEGORY

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2. Tech Stocks

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3. TSX:OTEX (Open Text Corporation)

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