Forget Shopify (TSX:SHOP): Buy This Other Tech Company Instead

Description

It wouldn't be too presumptuous to say that **Shopify** is an exemplary growth stock. The company showed such a remarkable growth and recovery pace after the pandemic that it became one of the engines of TSX's recovery. In fact, the whole tech sector, which pales in comparison when it comes to size against giants like the energy and financial sectors, performed exceptionally well this year.

With growth such as Shopify's, there also comes doubt. How long is such growth sustainable? How much of it is because the company is fundamentally strong? Is this just a temporary phase because e-commerce got a boost in the recent pandemic? Questions like these make many investors wary about stocks like Shopify, especially considering how oversold it is.

But is there a true alternative to Shopify in the tech sector? Not where the growth pace and history are concerned. Some tech stocks did show rapid escalation in market valuation in the last few months, but that growth now seems too good to stay for more than a year. So, instead, I'll recommend a stock that offers relatively slower growth but far more consistency. As an added bonus, it's also an aristocrat of seven years.

The company

Open Text (TSX:OTEX)(NASDAQ:OTEX) has been a consistent growth stock in the tech sector for about a decade. The primary business of the company is creating Enterprise Information Management (EIM) software for different industries. The company helps several different industries develop the right solutions to obtain and manage business-critical insights.

The solutions and products that Open Text provides are further branched out into Digital Process Automation, Customer Experience Management, Business Management, and AI, among others. Some of the prominent industries it caters to are legal, automotive, banking, healthcare, and life sciences.

With a market cap of $12.2 billion, Open Text is one of the five largest tech companies. It claims to be an Information Management (IM) leader and stand among giants like **Microsoft** and **IBM**. Some of its prominent clients include BMW, **Nestle**, Government of Canada, Citi, and **General Motors**.

The stock

It's currently trading at $60.4 per share. The stock dipped 32% at its worst during the crash but has already recovered and is currently trading 4.7% higher than its start-of-the-year value. The company has a beta of 0.72 compared to 1.61 of Shopify, making it significantly less volatile. The return on equity is not very grand (7.1%), but it's much better than Shopify's, which has been in negative territory since 2015.

The revenue Open Text brings over six times higher than Shopify. The Dividend Aristocrat currently offers a modest yield of 1.56%, and its 10-year CAGR is 20.67%. If it repeats history and carries on with its current growth pace, this rate is enough to convert about one-third of your fully stocked TFSA ($23,000) into almost a million. And it's one of the very few stocks that you can be reasonably sure about being consistent with its growth.

Foolish takeaway

Tech is still considered an underdog on TSX — a situation that's drastically different from what's across the border. But stocks like Shopify and Open Text can change that. Tech is the future of the world and of investing, and it wouldn't be a bad idea that investors start developing a comprehensive understanding of the sector.

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