Oracle or TikTok Won't Make You Rich, But This 1 TSX Stock Can

Description

Recently, **Oracle's** (NYSE:ORCL) unusual deal with the Chinese company ByteDance's popular social networking service TikTok became a big news story. I'm intentionally calling this deal unusual, as it's not very common to see an enterprise software and cloud services company like Oracle to show interest in a business that's not even remotely connected to its operations.

Nonetheless, the news of the Oracle-TikTok deal fueled a buying spree in Oracle stock, as it rose by over 6% this week.

The TikTok deal is not all good for Oracle stock

Clearly, it's difficult to imagine how the TikTok deal would benefit Oracle in the long run — unless the U.S. software giant decides to make some big changes in its business model. Based on initial reports about the deal, ByteDance is still likely to keep the majority stake in TikTok's U.S. business.

Instead of being distracted by entering this unknown territory, it would have been better if Oracle used the TikTok deal money to strengthen its own cloud services business. Interestingly, Oracle's cloud services business faces intense competition from tech giants such as **Microsoft**, **Amazon**, and **IBM**.

That's why these developments might not be as positive for Oracle as they may sound when you hear about it in the popular media. So, I don't expect Oracle stock to continue rallying in the coming weeks and months.

Buy this stock instead

I have already given you enough reasons to avoid buying Oracle stock solely based on its deal with TikTok. Now, let's move on by looking at a Canadian tech company — focused on strengthening its core business — without any distractions.

If you don't already know it, **Open Text** (TSX:OTEX)(NASDAQ:OTEX) is a nearly three-decade-old enterprise software company based in Waterloo. Within the enterprise software industry, Open Text primarily focus on the development of information management software for businesses. It's among the largest Canadian software companies.

After a drop of 14% in the first quarter, Open Text stock rose by over 17% in the second quarter. Amid the ongoing pandemic, the rising demand for Open Text's software solutions has boosted its total revenue.

In the quarter ended March 2020, its sales rose by 13.3% YoY to US$815 million. This positive trend continued in the next quarter, as its sales saw an 11% rise in the quarter ended in June 2020.

Foolish takeaway

As more companies adopt the work-from-home culture as a new normal, the demand for Open Text's software solutions is likely to remain intact. This demand could cause a consistent rise in its stock in the long term.

At the time of writing, it's trading with a 1.5% year-to-date loss. While I find Open Text stock an attractive investment option based on its fundamentals, I would still wait for a downside correction before buying it. Technically, a correction towards the support price range between $48 and $51 per share on TSX could give a good buying opportunity.

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1. Investing
2. Tech Stocks

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Date
2025/07/08
Date Created
2020/09/18
Author
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