



## Get Insane Growth With This Tech Gem

### Description

Looking for a Canadian technology name with a compounded annual growth rate of approximately 30% since 2012? How about one with 100 million plus users? How about one that is operating in the software sector with sky-high margins? This article is for you.

### Open Text = insane growth

**Open Text** ([TSX:OTEX](#))([NASDAQ:OTEX](#)) is a cloud-based enterprise resource planning software company. Open Text has provided increasingly necessary products to a global clientele. Providing leading cloud and site-based enterprise solutions, Open Text has opened [a Pandora's Box of growth](#). The company is continuing to grow at an incredible rate.

The company's long-term average compound annual growth rate (CAGR) of around 14% blows away nearly every Canadian company. To put this growth rate in perspective, Open Text has tripled the growth rate of the broad TSX index. This fact should be top of mind for aggressive investors in this market.

### Get those sticky cash flows!

Open Text's valuation may seem hefty based on certain metrics. However, investors ought to consider how well the company's share price has held up during the COVID-19 pandemic. Open Text's productivity-enhancing software solutions, particularly those that can be managed on the cloud, have become the backbone of corporations around the world. Therefore, Open Text's revenues are very sticky.

Approximately three-quarters of the company's revenues are recurring. This provides investors with excellent visibility to future cash flows. This high level of stability and certainty with respect to future cash flow generation is unique among many high-flying tech names today. A low churn rate and high degree of recurring business makes Open Text a leading choice for growth-oriented investors worried about current economic conditions.

## Secular trends strong

The COVID-19 pandemic has fundamentally altered the trajectory of various secular trends that have been underway for some time. Among these trends are digitization and a broad move toward work-from-home solutions for companies around the world.

These trends have only cemented the importance of Open Text's products to its customers. I fully expect this momentum to continue. This is a key factor driving a bullish outlook for long-term growth for this sector and Open Text in particular.

## Business model growth-centric

Open Text's business model of growth via organic absorption as well as via acquisition has contributed to the company's stellar growth track record. The company continues to acquire companies that fit within its realm of competency. Thus, Open Text has created impressive synergies in integrating said companies into its portfolio.

This dual organic/acquisition growth model has allowed for quicker penetration into global markets. Open Text is growing its footprint in Europe as well as North America. Approximately 95% of the company's revenue is generated outside Canada. This high level of geographic diversification is a bonus for Canadian investors, many of whom have far too little in the way of foreign exposure in their portfolios.

## Bottom line

Out of all the great Canadian technology choices investors have, Open Text is among the best (if not the best) for investors hungry for growth in the long term. In this era of heightened valuations, finding companies with solid balance sheets, great margins, and secular growth tailwinds is a must, in my view. In this regard, Open Text checks all the boxes.

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1. Coronavirus
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1. canada
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## TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. TSX:OTEX (Open Text Corporation)

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