



The Only Tech Stock I'd Buy With My \$6K TFSA Contribution This Year

Description

One of the steadiest technology companies on the TSX, **Open Text** ([TSX:OTEX](#))([NASDAQ:OTEX](#)) continues to be a top pick of mine for investors. I see this stock soaring in 2021 and beyond due primarily to a number of growth catalysts.

Growth is everything right now

Open Text's ability to grow at an incredible pace has become highly valued by the market. Growth investors have profited from rock-bottom interest rates, which improve the investing thesis for growth-oriented stocks. Companies with the ability to churn out insane levels of growth have therefore been bid up to levels not seen since the dot-com bubble peak.

Open Text is a great growth company, but doesn't have the valuation many of its peers have garnered. Trading at less than five times sales, Open Text is much cheaper than its peers right now. For example, **Lightspeed** is trading at a valuation multiple that is more than 13 times richer. **Shopify's** price-to-sales valuation multiple is almost 15 times higher.

This "growth at a reasonable price" thesis is one of the key reasons I like Open Text right now. Accordingly, investors need to keep a close eye on how Open Text's suite of software products perform in terms of top-line growth.

Acquisitions on the horizon add to the growth story

In addition to organic growth, Open Text has been one of the best acquirers on the TSX for years. Picking up cheap smaller-cap companies at lower valuations has been a winning strategy. Open Text has been able to generate impressive synergies and turn some of these software plays into core staples for their clientele.

Cheap money makes acquisitions cheaper. The company's heightened stock price also makes acquisitions cheaper. I expect more acquisitions to come on the horizon, though I do expect the

company's management team to continue to act prudently in this endeavour.

Bottom line

Open Text is a company that has actually remained relatively stable throughout the pandemic. The company's 52-week high and low has a much lower spread than most of its peers. This lower volatility bodes well for technology investors concerned about uncertainty on the horizon.

The fact that Open Text actually generates more than \$1 billion in cash flows is also unique among its peers. This is a profitable company with operating margins in excess of 20% that provides SaaS exposure.

Open Text's portfolio of [information management solutions](#) to clients to improve productivity and provide competitive advantages for its clientele is integral to the success of these companies. This is among the highest-quality tech companies on the TSX right now. Investors looking for tech exposure in Canada should consider Open Text as a portfolio pillar.

CATEGORY

1. Investing
2. Tech Stocks
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POST TAG

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2. growth stocks
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5. tsx growth stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. NYSE:LSPD (Lightspeed Commerce)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:LSPD (Lightspeed Commerce)
5. TSX:OTEX (Open Text Corporation)
6. TSX:SHOP (Shopify Inc.)

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