



## The Next Microsoft? This Top TSX Tech Stock Just Might Be

### Description

In this growth-hungry market, investors are looking for companies that can mimic the long-term returns of stocks like **Microsoft Corp.**

I'm going to discuss why I think **Open Text** ([TSX:OTEX](#))([NASDAQ:OTEX](#)) could be the [perfect company](#) for such investors.

### Business models eerily similar

Open Text's business model shares quite a few similarities with that of Microsoft. Both companies offer a suite of software products and services to a loyal customer base. Both companies have excellent margins and operate in the high-growth software space.

Additionally, these companies' recurring revenue business models are extremely attractive. Indeed, Open Text's high level of recurring revenue is one of the reasons this company has been on my radar for a long time. The company has an installed user base of more than 100,000, with tons of potential for growth. With more than 10,000 global clients using Open Text's software, there remains a tremendous amount of potential for growth, when one considers the dominance of Microsoft's software suite.

Additionally, both companies earn substantially all of their revenues outside of Canada. Open Text's U.S. and European operations provide Canadian investors with great diversification.

### Long runway for growth makes Open Text appealing

Open Text is microscopic compared to Microsoft. The company's \$16 billion market capitalization is more than 100-times smaller than Microsoft's.

What does this mean? Open Text's long-term growth runway is likely much more attractive at this early stage than its more mature peers.

Indeed, Open Text's valuation factors in a tremendous amount of this growth today. The company's price-earnings multiple sits at around 180, whereas Microsoft's more mature business trades at 36-times earnings now. Many investors may see the similarities between these two companies, and are looking to capitalize on what can reasonably be viewed as an extremely long runway for growth for Open Text.

Accordingly, Open Text is not a cheap stock today. Investors are pricing this stock according to future cash flow and earnings potential, rightly so.

## Bottom line

I think Open Text provides the growth tech investors are looking for at a point in the company's life cycle where tremendous long-term returns are possible. For investors looking for the "next Microsoft" I would highly recommend taking a hard look at Open Text.

Finding high-quality software companies with recurring revenue business models like Open Text isn't easy. These companies aren't a dime a dozen. Indeed, Open Text's stock is priced accordingly.

This is a company I would recommend long-term growth investors consider, particularly on any dips that may materialize over the near to medium term.

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