This AI Stock Is Poised for an Upswing

Description

Artificial intelligence (AI) is arguably one of the biggest investment opportunities of the decade. Now that we have the computational power and vast datasets required, algorithms can learn to make decisions with greater precision. This changes the game in several industries and could unlock tremendous value for shareholders.

Open Text (TSX:OTEX)(NASDAQ:OTEX) is well-positioned for tremendous growth in this field, amid changes in digital customer experiences, supply chain management, and how people work. Its AI-based information management solutions should see greater demand as companies look to gain insights and make the right decisions at the right time.

Here's why this AI stock should be on your radar.

Strategic partnerships

Strategic partnerships with industry giants such as **Amazon** and **Google** put Open Text ahead of the curve. In 2019, Open Text announced it would integrate Google Cloud's multi-cloud and hybrid-cloud offerings to enhance its platform. Google, meanwhile, selected Open Text as its preferred partner for Enterprise Information Management Services.

At the end of 2020, the firm announced another partnership with Amazon Web Services. The collaboration gives Open Text clients workload migration options based on the industry-leading AWS ecosystem.

Partnerships like this put the company in a unique position within the industry. Deploying AI-based enterprise solutions should be easier with such exclusive access to the world's largest enterprise customers.

Revenue growth

The company's revenues have consistently been rising despite the COVID-19 related challenges. In the most recent quarter, revenues jumped 2.2% to $832.9 million as cloud services and subscription revenues increased 4.8% to record highs of $355.8 million.

The impressive results steam from the tech Company investing in initiatives that seek to accelerate organic growth. Additionally, the company remains focused on generating consistent free cash flows as its liquidity position remains strong with about $1.5 billion in cash.

In addition, the company has set sights on the Asia Pacific region, where it is already pursuing growth opportunities. The region accounted for about 8.5% of its revenue in fiscal 2020 at $263.8 million, which explains increased investments in the area. The growth continued through the first three quarters of 2021. Amid the investment drive, analysts expect Open Text adjusted net profit margin to expand 27.2% in fiscal 2021.

Stock pullback

With plenty of cash, Open Text boasts an impressive (by tech standards) forward annual dividend yield of 1.59%. Additionally, the company is fairly valued as it is trading at a price-to-sales multiple of 5.13 and a price-to-book multiple of 4.18.

While Open Text has underperformed in recent months, the pullback in recent months provides an opportunity to buy the stock at a discount before it starts rallying again.

Bottom line

Open Text is a clear leader in the enterprise software space. Its ongoing efforts in AI and strategic partnerships with tech giants put it in a favourable position. The fact that the stock is undervalued is icing on the cake. If you’re looking for reasonably priced growth, Open Text certainly deserves a spot on your list.

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