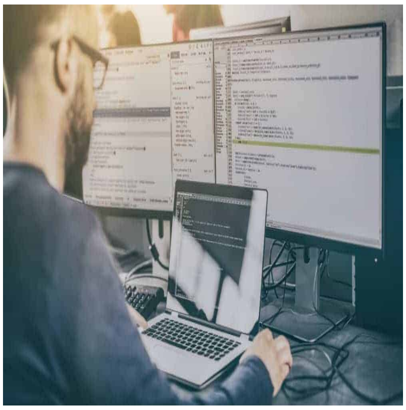

1 Top Canadian Software Stock to Buy Right Now

Description

As far as growth sectors go, technology stocks have been among the biggest outperforms over the past decade. Within the tech sector, I am always on the lookout for a solid software stock to add exposure to as a long-term holding.

One such stock that's been on my radar for some time is **Enghouse Systems** (TSX:ENGH). This company's stock price has sunk approximately 15% year to date, providing what I view as an intriguing entry point for investors.

Let's dive into what makes Enghouse an interesting software stock for investors to consider right now.

A software stock with an excellent business model

As far as business models go, Enghouse is a company I would consider a top-notch software stock.

The company provides an extensive range of software solutions across a broad range of geographic markets. In fact, in 2020, this software stock earned 90% of its income outside Canada. This Markham-based company purchases companies engaged in the management of software for multiple vertical markets. These companies boast multifaceted product suites. What that means is Enghouse provides a diversified portfolio of software solutions via its growth-by-acquisition model.

Enghouse has a fantastic management team, which has done an efficient job of raising additional capital via acquisitions. The company plans for a maximum cash flow payback period of five to six years. That's a decent IRR on any investment.

At the same time, the company is focused on minimizing the effects of dilution on shareholders. These are factors growth investors ought to like.

Enghouse has a strong balance sheet

Enghouse recently reported Q3 earnings, which disappointed the market to some degree. However, there were some silver linings in there that I think are important to note.

Importantly, the company's cash flow position continued to remain strong. Indeed, when it comes to tech stocks, cash flow is an essential factor investors tend to consider. In that regard, Enghouse is quite enticing, as shares of this company trade at nearly 22 times its cash flow at the time of writing.

Moreover, this stock offers a dividend yield of 1.2%, which is growing. Without a doubt, Enghouse's robust balance sheet supports this growth. Enghouse hardly has any debt due to its cash flow-rich operations.

Indeed, any software stock that actually pays out a dividend at all while generating impressive returns on equity for investors is one I have my eye on. Accordingly, Enghouse stock looks like one that's a prime buy-the-dip candidate.

Bottom line

Enghouse remains a software stock with a business model worth considering. This is a company that is diversified geographically and has an excellent balance sheet relative to its peers.

Yes, ENGH stock is down right now. However, for growth investors looking for great value, this is a stock I think investors may be remiss to ignore.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:ENGH (Enghouse Systems Ltd.)

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