



1 Top Canadian Tech Stock to Buy Now and Forget About Long Term

Description

Among the [growth](#) sectors that has continued to provide impressive returns in recent years is the technology space. Of course, the U.S. tech sector is what most investors think about when looking at hyper-growth plays. That said, I think there's one Canadian tech stock that could be flying under the radar for investors looking for said growth.

One company I've had my eye on for some time is **Open Text** ([TSX:OTEX](#))([NASDAQ:OTEX](#)). Indeed, this could be one of the more overlooked tech stocks in the market right now.

Here's more on why I think that's the case.

A tech stock with a viable long-term business model

Indeed, one of the things investors should look at with any tech stock is its business model. How viable said business model is over the long term should inform a great deal about whether this is a stock to consider as a core portfolio holding.

In this regard, Open Text is a tech stock worth considering.

Open Text engages in the provision of information management solutions. The installed base of this Waterloo-based company includes over 100 million users across more than 10,000 companies worldwide. Additionally, close to 90% of its earnings are recurring. This ensures high visibility in terms of sales.

Moreover, the company has focused on mitigating the risk of customer concentration. Open Text earns 95% of its income outside Canada. In fact, the main sources of this company's revenue are Europe and the United States. Open Text's management team gives high priority to takeovers, which are funded using the company's impressive free cash flow. Over \$6.8 billion has been invested thus far in said acquisitions.

Accordingly, investors looking for a top growth by acquisition play have it in Open Text.

Open Text reaps the benefits of favourable long-term contracts

Open Text is able to report predictable cash flow due in large part to the company's various long-duration service contracts. **Dell** is one of the new companies that became a part of its client base recently. Issues related to managing the flow of products and services (i.e., the global chip shortage) have made it necessary to improve invoice management systems. Accordingly, the need for solutions provided by Open Text has increased.

This company is continuing to enjoy consistent growth in revenue. That said, sometimes there are fluctuations in relation to cash flow owing to a delay in negotiations or the renewals of the service contracts. Undoubtedly, the wise takeovers, innovation, and focus on R&D Open Text has employed have been instrumental to its success. Indeed, over the past three fiscal years, this company has invested \$1 billion on R&D.

Bottom line

Open Text is a Canadian tech stock worth taking a look at right now. This is a company with tremendous growth potential trading at a relatively [reasonable valuation](#) relative to its peers.

This is a stock I'm looking at now for my portfolio and will consider on dips moving forward.

CATEGORY

1. Investing

TICKERS GLOBAL

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2. TSX:OTEX (Open Text Corporation)

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