1 Top Canadian Growth Stock to Buy in December 2021

Description

Investors looking for a top-tier growth stock may certainly gravitate toward the tech sector. Indeed, over the past decade, technology-related companies have vastly outperformed the market. **Enghouse Systems** (TSX:ENGH)(NASDAQ:ENGH) has been no exception.

Let's discuss why this company could be a top Canadian growth stock to consider right now.

Strong business model bodes well for this growth stock

As a key player in enterprise software solutions, Enghouse is a Canadian growth stock many investors may not have heard of. However, there's reason to like this company's growth prospects moving forward. After all, enterprise software solutions are the plumbing that make remote work, chat, and other online functions we take for granted a reality. In the wake of the pandemic, Enghouse saw its business surge.

Accordingly, this year, ENGH stock has taken a bit of a breather. It's certainly a hard comparison to make to look at year-over-year growth, given how robust of a year 2020 proved to be. However, given the recent rise of this South African variant, perhaps eyeballs will shift once again toward the companies supporting the longer-term transition toward online work.

Enghouse has grown not only organically but through a string of acquisitions as well. The company's cloud-based business provides impressive recurring revenues investors like for obvious reasons. And at this valuation, Enghouse is not even close to being overvalued, at least compared to where the market is right now. For growth investors, these are all big pluses.

A reasonable valuation

The company only recently released its quarterly earnings, and investors will be excited to know that its cash flow position continues to be strong. Indeed, a strong balance sheet is an essential factor to take into consideration for any company. For tech companies, valuations have gotten a bit out of control of late. Accordingly, finding companies that are fairly valued has become harder.

Currently, Enghouse trades at around 22 times cash flow right now. This software player's cash flow-rich operations make for a compelling investment thesis in this company. With a stable debt load, and the potential for cash flow growth to fund acquisitions in the future, this is a company with impressive upside right now.

The company also offers a small but meaningful dividend yield around 1.2%. Given this company's valuation relative to its peers, and the potential for continued dividend hikes over time, this is a company worth considering.

Bottom line

Like all high-flying tech stocks, Enghouse is a company that's certainly not without risk. We're seeing risk assets sell off on news of this variant ravaging the growth prospects we took for granted in recent months. That said, for companies like Enghouse, this news may not turn out to be all that bad.

I think Enghouse remains attractive from the perspective of a long-term investor. Accordingly, this is a growth stock I think is worthy of a look, particularly on any significant dips from here.

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Date
2025/09/09
Date Created
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