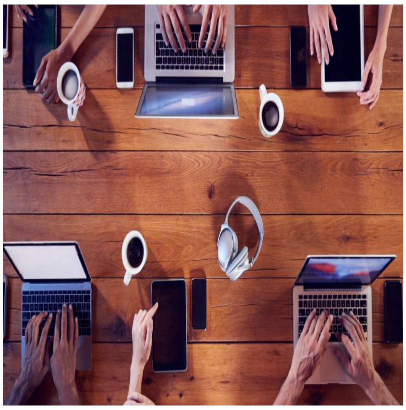


2 Tech Stocks to Watch This Week

Description

We experienced a taste of a bear market in recent trading. The stock market sold off as much as over 5% in the last couple of weeks, but its upward trend remains intact. The dip could be caused by unease with regards to the new Omicron variant and the market getting used to higher inflation. Tech stocks have been a good area to look for growth stocks for long-term investment. This week, it may serve you well to watch these two tech stocks.

A tech stock with quality, growing cash flow and dividends

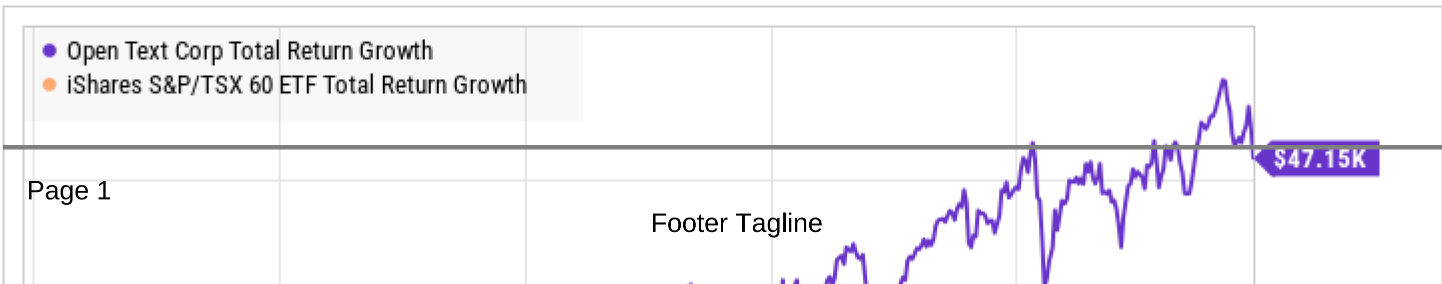
Open Text (TSX:OTEX)(NASDAQ:OTEX) provides information management solutions. It is a proven free cash flow-generating machine. It uses its cash flow to make acquisitions and deleverage, and the cycle continues from there. Open Text began paying a dividend in 2013.

The tech company's trailing 12-month revenue is US$3.4 billion. Its gross profit margin is 69%, while its operating margin is 21%. In the period, its net margin is almost 10%.

The tech stock has dipped more than 8% over the last couple of weeks. Interested investors should watch for a buy-the-dip opportunity in the proven Canadian Dividend Aristocrat. The tech stock has increased its dividend for about eight consecutive years with a five-year dividend-growth rate of about 13%.

Since the tech stock provides above-average dividend growth, investors should aim for long-term total returns with most returns coming from price appreciation. Over the next 12 months, the analyst consensus price target across six analysts suggests a near-term upside potential of almost 19%. Throwing in its dividend yield will boost its near-term total-return prospect to over 20%, which would be a decent return for a low-risk investment with quality earnings.

Over the last 10 years, Open Text stock has roughly doubled the market returns. In the period, a $10,000 initial investment in the tech stock transformed into about $47,150.



Total Return Level Data by YCharts

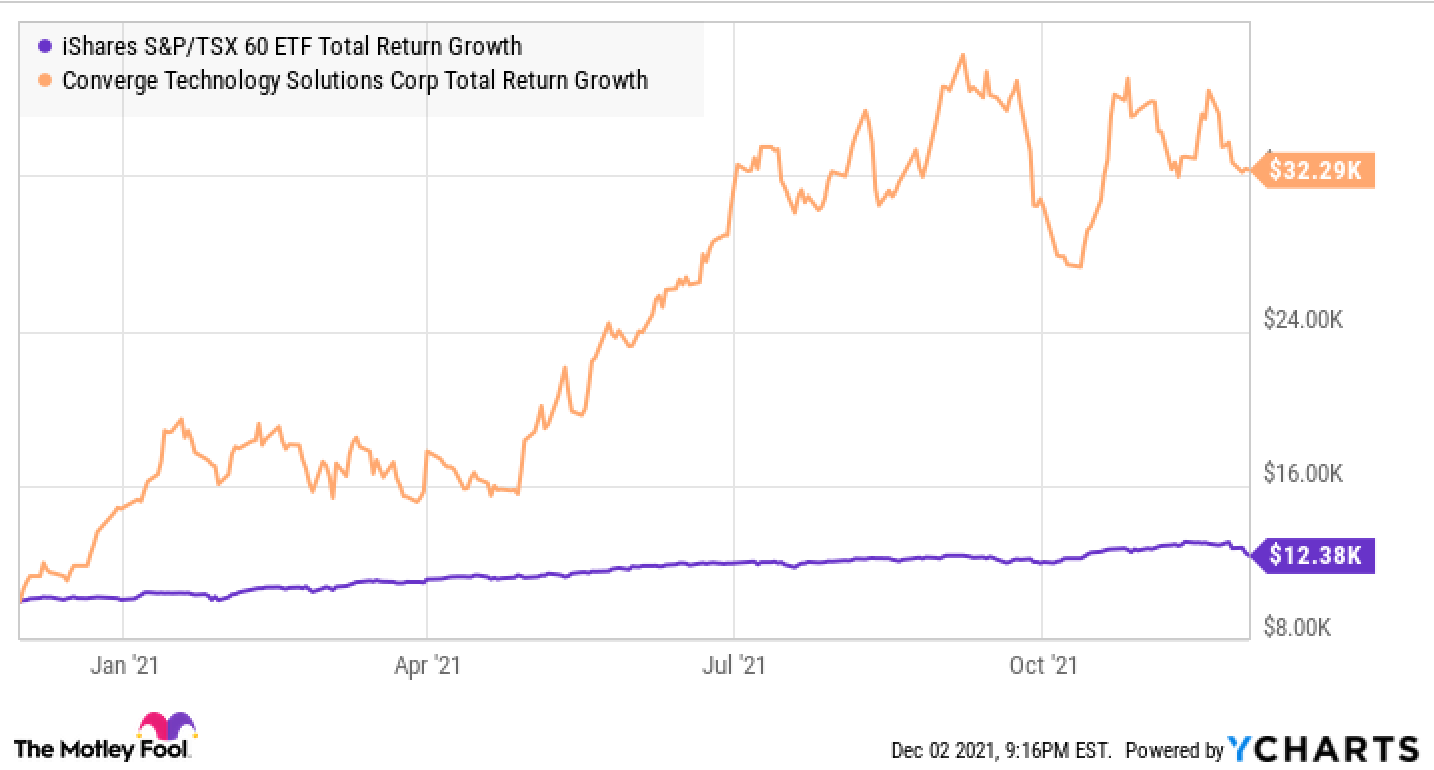
A young tech stock that's growing up fast

Converge Technology Solutions (TSX:CTS) also grows by acquisitions, but it's a much younger company than Open Text. Converge has been making acquisitions and is focused on its highly successful cross-selling strategy. It hosts customer-facing events to attract new prospects and engage existing clients in the mid-market space.

The tech solutions company just turned five years old this week. Since October 2017, Converge and its subsidiaries have acquired 25 companies. As a result, Converge has expanded its offerings to include digital infrastructure, cloud, cybersecurity, advanced analytics, managed services, and IT talent recruitment.

As an example, the tech company's most recent acquisition is OPIN. Specifically, OPIN is acquired by Portage Cybertech, Converge's 53%-owned subsidiary. Converge's December 1, 2021, press release explained that "OPIN is a full-service Canadian digital agency focused on designing and building digital web, mobile, and app experiences to support strategic digital service goals of government and enterprise customers." Since Portage Cybertech targets the same types of clients by providing security solutions to protect data, OPIN makes a good fit.

In the first nine months of the year, the tech stock brought in revenues of over $1 billion and adjusted EBITDA — a cash flow proxy, of more than $59 million. Its year-to-date gross profit margin is over 22%. Its adjusted EBITDA margin is about 5.8%. The company is working to expand this margin and its revenue, respectively, to 10% and $5 billion by the end of 2025.



Total Return Level Data by YCharts

A $10,000 initial investment from a year ago is now worth about $32,290! There’s simply no competition between the market and the small-cap stock that has executed extremely well. Any dip in Converge could be a buying opportunity to accumulate shares for long-term growth.

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