1 Top Canadian Tech Stock to Buy for the Long Term

Description

The tech sector continues to excite investors of all age groups. Of course, tech stocks present a higher-risk, higher-upside offering. Over the past decade, this has paid off handsomely.

However, given the recent geopolitical headwinds we've seen materialize, there are many who may be less enticed by tech stocks. That certainly makes sense in the face of ongoing war, surging inflation, and an interest rate-hiking cycle that's about to get underway.

That said, one top tech stock I've got on my radar right now is **Enghouse Systems** (TSX:ENGH). Let's dive into why this could be a top-notch Canadian tech darling to buy on market weakness.

Plenty of shareholder-friendly attributes

Enghouse Systems is an enterprise software organization with a global presence. This company manages and acquires software for various vertical markets, boasting a diversified product suite. In 2021, the company saw over 90% of its revenues coming outside of Canada.

The company's management team has performed tremendously well in terms of compounding capital via acquisitions. This company's M&A strategy seeks a cash flow payback within five to six years and minimizes shareholder dilution simultaneously. For long-term growth investors, that's a very good thing.

Enghouse posted its fourth-quarter results in December that underwhelmed the market. This was because the demand for the company's video conferencing product (Vidyo) went back to pre-pandemic levels.

Greater valuations within the marketplace did not support Enghouse's return objectives. Accordingly, the organization was less active on the acquisition front.

Moving forward, Enghouse boasts a solid cash flow profile and substantial excess cash (net cash of about $3.60 per share or about $200 million). This can help support many shareholder-friendly actions, such as a pickup of acquisition activity over the medium term.

Pretty decent returns over the past half-decade

It's been a rough start to the year for shareholders of Enghouse. This top Canadian tech stock is down more than 10% this year, as investors factor in various macro headwinds into the valuation equation.

However, over the longer term, this company has been a darling. The company's five-year returns of approximately 70% beats the market, and also suggests Enghouse has a business model long-term investors like.

This company is one that's compounded its earnings per share at 14% over the past year. Those who believe this kind of growth is likely to continue on an ongoing basis may like how this tech stock is valued right now. Currently, investors can pick up shares of Enghouse at a price-to-earnings ratio of 24 times.

Bottom line

Now, following the recent price action on a stock can be daunting, particularly for a company one thinks is great. In situations where such stocks rocket higher, false confidence can be dangerous. On the downside, some investors might second-guess their investment decisions.

My view is that Enghouse is a great long-term buy-and-hold opportunity at these levels. Long-term investors looking for relative value may do well ignoring the near-term price action with this company and picking up shares over a period of time.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:ENGH (Enghouse Systems Ltd.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. chrismacdonald
2. kduncombe

Category

1. Investing
2. Tech Stocks

Date
2025/07/21
Date Created
2022/03/04
Author
chrismacdonald