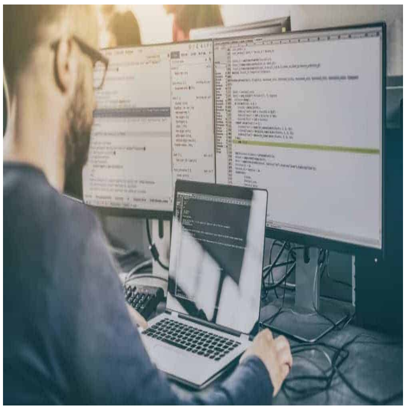

1 Canadian Software Stock That Could Take Off This Year

Description

Over the last five years, the Canadian tech space saw annualized returns of slightly less than 25%. This comes despite a big correction late last year and in early 2022, which saw several top Canadian software stocks plunge 50% or more in short order.

That said, this annualized growth rate for these stocks would have nearly tripled an investor's portfolio in the matter of around five years. That's some pretty impressive growth, making it easy to see why many investors may want to stick with these growth stocks.

That said, in this higher interest rate environment, **Open Text** (TSX:OTEX)(NASDAQ:OTEX) may be harder to gauge. Let's dive into why Open Text may be a top option for investors looking for a software stock right now.

Top software stock: Open Text

Open Text emerged out of a technology project that involved the *Oxford English Dictionary* at the University of Waterloo, Canada. This Ontario-based company's software enables clients to retrieve, search, archive, and aggregate unstructured information (such as presentations, documents, e-mail, etc.).

Recently, the company announced a rather big strategic move. Open Text would be working on enhancing its strategic partnership with Google Cloud. Accordingly, this enhanced partnership is expected to result in the launch of its OpenText Core Content as a service on Google Cloud.

This is a meaningful development for a number of reasons. First, this will allow customers to deploy the enterprise productivity suite of OpenText on a trusted, global infrastructure. Google Cloud and OpenText will be partnering to provide users with new capabilities, using Google Cloud capabilities in DevOps best practices, secure software supply chains, and SRE toolsets. This aims to deliver a cloud-native next-gen productivity platform with secure access and low latency for distributed teams.

Also, the company's second-quarter performance was impressive. Open Text posted adjusted EBITDA of $343.5 million and free cash flow of $206.0 million. Additionally, the company purchased Zix Corporation for $896.0 million.

Despite this large deal, Open Text's liquidity and balance sheet remain strong. This paves the way for the company to make additional strategic investments to enhance its systems and drive organic growth.

Bottom line

Overall, I think Open Text is a unique business that may be overlooked by many investors. Based in Canada, Open Text largely flies under the radar. Given this company's unique business model and range of high-profile clients, there's tremendous growth potential. Add to this the recent Google Cloud partnership, and there's a lot to like about where Open Text is headed.

Of course, as a highly valued software stock, Open Text is open to more valuation compression concerns in the near term. However, those thinking long-term may want to consider this company.

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Date
2025/07/21
Date Created

2022/04/10
Author
chrismacdonald