Open Text Stock: Is it the Best Canadian Stock to Buy in September After its Recent Crash?

Description

Shares of **Open Text** (TSX:OTEX)(NASDAQ:OTEX) continue to face a sharp selloff lately. Last week, Open Text was the worst-performing Canadian stock, as it crashed by 16.3% against a 1.2% drop in the **TSX Composite** benchmark. With this, OTEX stock has lost nearly 21% of its value in August so far, as it currently trades at $41.54 per share. Is the recent dip in Open Text stock an opportunity for long-term investors to buy an amazing Canadian tech stock at a big bargain? Let's find out.

Open Text's stock price movement in 2022

Open Text is a Waterloo-based software company with its main focus on providing an integrated portfolio of information management solutions to businesses across the world. Its offerings mainly help businesses to optimize their digital supply chains to enhance profitability. After ending the previous three consecutive years in the green territory, OTEX stock currently trades with 30.8% year-to-date losses.

Concerns about high inflation, rising interest rates, and continued supply chain crisis led to a tech sector-wide crash earlier this year. While Open Text stock has also been affected by the tech meltdown, its strong fundamentals and continued, healthy demand from the supply chain industry have helped it outperform most other Canadian tech stocks. To give you an idea, other tech companies like **Shopify**, **Lightspeed**, **Dye & Durham**, and **Nuvei** trade with massive 76%, 50%, 66%, and 51% year-to-date losses, respectively.

The key reason behind OTEX stock's recent crash

Last week, Open Text announced its intentions to acquire a United Kingdom-based global infrastructure software company **Micro Focus International** (LSE:MCRO) in a deal worth about US$6 billion. Micro Focus is one of the world's largest software companies with a large client base of thousands of businesses globally. This acquisition deal is expected to close in the first quarter of the calendar year 2023.

Open Text's management expects the acquisition of "Micro Focus to be immediately accretive" to its adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization). If the deal goes through as expected, it will likely help Open Text significantly expand its cloud segment revenues, adjusted EBITDA, and cash flows in its fiscal year 2024.

Before this announcement was made on August 25, the **London Stock Exchange**-listed shares of Micro Focus settled at 268 pence per share. And Open Text has agreed to acquire the British tech company at 532 pence per share, reflecting a huge premium over its current market price. This is one of the key reasons why Open Text stock crashed on August 26. In contrast, Micro Focus stock skyrocketed by around 94% to 520 pence per share the same day.

Is Open Text stock worth buying in September?

It's important to note that most high-growth tech companies try to accelerate their future financial growth potential and global market presence by making quality acquisitions within their domain. Clearly, Open Text is willing to pay a huge premium for the Micro Focus acquisition. While this news has seemingly disappointed OTEX investors, I expect this deal to pay off well in the long run and help Open Text significantly accelerate its financial growth and expand profitability in the coming years. Given that, long-term investors can consider buying its stock on the dip.

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