If I Could Only Buy 1 TSX Stock Right Now, This Would Be it

Description

The Canadian stock market turned negative again in December due mainly to growing concerns about a looming recession after consistently recovering in the previous two months. The **TSX Composite** benchmark inched up by about 11% in October and November combined. But it has seen about 5% value erosion in December so far, taking its year-to-date losses to 8.4%.

While economic uncertainties could potentially keep the stock market highly volatile in the short term, the recent market pullback has also made many fundamentally strong growth stocks look undervalued to buy for the long term.

In this article, I'll talk about one such Canadian growth stock that has the potential to outperform the broader market by a wide margin in the coming years. Let's begin.

Enghouse Systems stock

If you don't know it already, **Enghouse Systems** (TSX:ENGH) is a Markham-headquartered software solutions firm with a market cap of $1.9 billion. The company primarily focuses on providing vertical software solutions to businesses across the world. Its sources of revenue are well diversified geographically, with the United States, Europe, and Scandinavia being its largest segments based on its 2022 sales data. While this TSX stock has seen 34.5% gains in the last six months to trade at $35 per share, it still trades with 27.7% year-to-date losses on a year-to-date basis due mainly to a sharp tech sector-wide selloff earlier this year.

At the current market price, Enghouse Systems has a decent dividend yield of around 2.1% and distributes its dividend payouts every quarter. Now, let's look at its recent financial growth trends and fundamental outlook that explains why I find TSX stock attractive right now.

Analyzing its recent financial growth trends

Last week, Enghouse Systems reported its far better-than-expected fourth quarter of the fiscal year

2022 (ended in October) financial results. During the quarter, the company's total revenue stood at $108.1 million, reflecting a 4% decline from a year ago but beating Bay Street's estimate of $103.4 million.

Enghouse highlighted some key challenges, including "turbulent global markets, rising interest rates, high inflation and aggressive competition in the technology sector" in its latest earnings report. Nonetheless, these challenges couldn't stop the company from posting strong 24.1% YoY growth in its adjusted quarterly earnings to $0.67 per share, which was also more than 80% better than analysts' $0.37-per-share expectation.

In recent quarters, Enghouse has focused on expanding the range of its offerings, aiming to provide "various deployment options of private cloud, multi-tenanted cloud or on-premise solutions" to customers.

Despite growing macroeconomic challenges, the company is also continuing with its strategy to make quality acquisitions in its domain.

During its fiscal year 2022, Enghouse completed the acquisition of Competella, NTW Software, and VoicePort. These new acquisitions have helped Enghouse Systems expand its product portfolio and grow its customer base geographically. Based on these expansion efforts and continued demand for its services, you can expect its financial growth trends to accelerate further in the coming years and help this quality TSX stock soar.

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