Open Text (TSX:OTEX) Generates Wealth for You

Description

We live in a world that's drowning in information. In 2019, internet users generated 2.5 quintillion bytes of data each day. If I were to try to download the entire internet, it would take me 181 years. Each year, we generate more information than the previous.

To put things in perspective, 90% of the information of the 40 trillion gigabytes (40 zettabytes) has been created in the past years, and all trends indicate we will continue to generate more data. I'm a hardcore researcher who loves data, but those numbers make my head spin.

What does this mean for investors and businesses? Most businesses are overwhelmed by data and don't have processes in place to capture knowledge. Most companies don't have systems to better analyze their customers, products, web and social media traffic, and workflows.

Open Text (TSX:OTEX)(NASDAQ:OTEX) offers a lifeboat to companies adrift in the vast ocean of information. The company is based in Waterloo, Ontario, and in 2014 was Canada's largest software company.

Open Text has a market capitalization of $14 billion and a five-year-total return of 68%. The company pays a dividend of 1.78%. Among the core services of Open Text are enterprise content management software, of which it controls 24% of the market share. The company also provides data centres for cloud-based solutions and AI and analytics.

Open Text offers services in a growing market. The market for artificial intelligence is experiencing 20% CAGR. By 2020, AI as a standalone industry will have a market capitalization of US $120-180 billion. The product information management industry is forecasted to grow 25% CAGR through 2023. Open Text has plenty of blue skies to sail towards.

Before I get deeper into the analysis of the stock and the company, I'd like to point out in 2016, Open Text was listed by *The Globe and Mail* as one of Canada's top 100 employers. *The Globe and Mail* cited excellent programs to support younger workers. Open Text made the list in 2019, 2015, 2014, and is recognized by Deloitte as one of Canada's best-managed companies.

Having a strong corporate culture and a well-managed workplace are critical components to running a competitive company. You can have the best-trained staff and top talent, but if the workplace is rife with unresolved conflict or if managers don't lead, the company will hemorrhage money.

A thriving corporate culture takes years to cultivate and requires constant attention to maintain. Let's not forget people quit bosses, not jobs. In a tight labour market for IT workers, if an IT worker doesn't like their boss, they can find a similar job somewhere else. High turnover rates from poor management have been the death knell to many companies.

I look for companies that shape conversations in the sector, because it's a mark of leadership. I see such activities as a willingness of the company to explore, innovate, and experiment. For years, Open Text has organized Innovation Tours. The company hosted conferences in Toronto and held other meetings around the world.

Let's examine some more numbers. In fiscal year 2019, total revenues were $2.87 billion, representing an increase of 1.9% YOY. Revenues from cloud services and subscriptions totalled $907.8 million. The company's annual operating cash flow was recorded at $876 million, up 23.8% from 2018. In other words, this company is liquid and has the money to invest in new projects and grow its market share.

Open Text's strong corporate culture, substantial market share, and strong financials deserve a closer look.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. TSX:OTEX (Open Text Corporation)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

3. Stocks for Beginners

Tags

1. Editor's Choice

Date
2025/08/17
Date Created
2019/11/01
Author
rgendron

Footer Tagline