



TFSA Investors: 1 Canadian Tech Stock You Should Buy Today

Description

A Tax-Free Savings Account (TFSA) is a tax-advantaged account available to Canadians aged 18 years or older. Like a Registered Retirement Savings Plan (RRSP), a TFSA allows your investments to grow tax-free. The most significant difference is that all [TFSA withdrawals are not taxed](#) since you are technically making an investment after already paying income tax.

The beauty of a TFSA account is that it can be used for both short- and long-term goals. Investments can compound tax-free year after year, making it an excellent choice for a long-term savings goal. In comparison, a TFSA can be a great choice for short-term goals as well, as you are not taxed on withdrawals.

Due to the flexibility of a TFSA account, there is no guideline for what the best investment should look like. You could rightfully choose to invest in either a blue-chip Dividend Aristocrat or a high-risk growth stock. Or, you could invest in **Absolute Software** (TSX:ABT) and gain exposure to both a stable dividend and a high-growth tech stock.

Growth potential

Now roughly valued as a \$115 billion industry, cybersecurity is expected to continue to grow at a rate of 12% until 2027. The industry focuses on protecting the storage and transmission of confidential information. As data consumption increasingly continues to rise, so will the importance of cybersecurity.

Headquartered in Vancouver, Absolute Software is in the business of developing endpoint security. The cloud-based software secures employee use of laptops, tablets, and mobile devices across client firms.

After a strong fiscal 2020 second quarter was reported earlier this month, shares are now up 13.5% year to date. The company reported \$25.8 million in revenue in the second quarter, which represents a year-over-year growth of 6%.

Now serving more than 12,000 customers worldwide, the company reported an impressive 84% gross margin on revenue, with 96% being attributed to recurring revenue.

Management

With the cybersecurity industry now firing on all cylinders, Absolute Software added a seasoned veteran to help drive the growth of the company. Announced in early 2020, [Dianne Lapierre joined the executive team as the chief information officer](#), reporting directly to CEO Christy Wyatt.

Tasked with driving IT solutions to enhance the current products and services, Lapierre will also work to transform the Absolute Software employee experience. The focus will be directed towards accelerating workforce productivity and agility, aimed to improve overall employee engagement.

The stock price growth of Absolute Software may have lagged the market over the past five years, but there is plenty to be optimistic about for the future. Management is confident that the company will soon be hitting double-digit growth and realizing gains from healthy profit margins.

Dividend yield

The company currently pays an annual dividend of \$0.32, which is a 3.2% yield at today's prices. With a \$50,000 investment in the company, that yield would generate a return of \$400 every quarter.

The 3.2% yield may not be the highest available on the TSX, but it would be difficult to find a growth company with a yield that high. Most growth companies in their infancy choose to forgo paying a dividend to reinvest in the business, making Absolute Software a rare find.

Foolish bottom line

There may be companies that pay higher dividend yields or have stronger growth potential than Absolute Software, but you would be hard-pressed to find another investment that matches both the income and growth of this cybersecurity leader.

Due to the growth and income that Absolute Software can provide investors, the company is an excellent choice for TFSA investors for both their short- and long-term goals.

CATEGORY

1. Investing
2. Tech Stocks

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1. Editor's Choice

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1. TSX:ABST (Absolute Software)

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ndobroruka

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