



Better Buy: Absolute Software (TSX:ABT) or Kinaxis (TSX:KXS)?

Description

Technology stocks have been on a strong run since bottoming out in March. Amid the pandemic, people's consumption pattern has changed, with more consumers preferring to shop online. Also, people are choosing to work and learn from their homes amid health concerns. These structural shifts have increased the need for the products and services provided by these technology companies, thus driving their stock prices higher.

However, in the last few days, tech companies are under pressure due to profit booking. Meanwhile, I believe long-term investors should not worry about these short-term pullbacks and utilize these dips to accumulate high-growth stocks for greater returns.

So, given the long-term growth potential in tech stocks, which among **Absolute Software** (TSX:ABT) and **Kinaxis** ([TSX:KXS](#)) should you buy right now?

Absolute Software

Absolute Software is a cybersecurity company that specializes in endpoint security and data risk-management solutions. So far, the company's stock price has increased by over 63% this year.

The surge in remote working and e-learning has increased the demand for Absolute Software's services, driving its financial and stock price. In its recently reported [fourth quarter](#), the company's revenue increased by 7%, while its adjusted EBITDA grew by over 63%.

The company earns approximately 95% of its revenue from its recurring SaaS (software-as-a-service) business. Also, it has grown its ARR (annual recurring revenue), which is an indicator of the company's future recurring revenue streams, consistently over the last few quarters. In its recently completed quarter, the company's ARR grew 11% to US\$108.3 million.

With the surge in cyberattacks and increased remote working and learning, the cybersecurity business could grow at a faster pace. Gartner expects cybersecurity spending to reach US\$190 billion by 2023. Meanwhile, of the US\$190 billion, US\$56 billion is projected to be dedicated for endpoint security

technology, which could benefit Absolute Software. So, the company's growth prospects look strong.

Also, the company generated US\$11.6 million of cash from its operations in the second quarter. With cash and cash equivalents of US\$47.1 million at the end of the quarter, the company's liquidity position looks strong.

Kinaxis

Kinaxis provides cloud-based supply chain management solutions, which aids companies in better and quicker decision making. Over the last five years, the company has delivered impressive returns of over 1,200%. In this year also, the company's stock has increased by over 92%.

The increased demand for Kinaxis's services and impressive second-quarter performance has supported the rally in the company's stock price. The acquisition of new customers, a high retention rate, a substantial order backlog, and a strong cash position could drive the company's stock price even higher.

In the second quarter, Kinaxis generated US\$30.8 million of cash from its second-quarter operations, increasing its cash and cash equivalents to US\$260.6 million. Its sales pipeline looks strong, with backlog revenues of US\$333 million at the end of the second quarter.

Meanwhile, the company also acquired Rubikloud, which provides AI-based demand planning services to CPG companies. So, given the solid sales pipeline and its recent acquisition, [the company's growth prospects look strong](#).

Bottom line

Amid the recent pullback in tech stocks, Absolute Software and Kinaxis are trading 15.7% and 14.5% lower from their respective 52-week highs, which offer excellent entry points for long-term investors.

Although both companies offer strong growth prospects, I would like to go with Kinaxis, given its impressive track record and strong cash position.

CATEGORY

1. Investing
2. Tech Stocks

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2. TSX:KXS (Kinaxis Inc.)

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