



## 1 Explosive Tech Stock Will Make You Forget About Shopify (TSX:SHOP)

### Description

**Shopify** has been the industry standard for rapid growth. Despite being brutally overpriced, the stock keeps performing and rewarding its investors. Thus, people keep pouring money into the company, hoping it can sustain its unnatural growth.

That was before the crash. The 2020 market crash unveiled several other hidden gems within the tech sector, many of which might be ready to give Shopify some serious competition in the growth department. And though **Absolute Software** (TSX:ABT) isn't one of these 'gems' per se, it's still a potentially powerful stock to consider.

### An IT security company

Absolute software specializes in endpoint security and data risk management. Which is a complicated way of saying that the company helps you recover your organizational data and restore it to a point not too far in the past, in case there is a data breach. This ensures that an organization can resume normal operations, even after facing security sabotage. The software is unique because it's embedded at the firmware level.

The company has been around since 1993, has over 13,000 clients around the globe, and 500 million endpoints. Another feather in the company's cap is that it has 140 patents. The recent [growth spurt](#) isn't unique. The stock used to soar at higher levels until 2007 when it came crashing down with the recession. But now, the company seems well-poised for growth, especially considering how important data is becoming in the new digital landscape.

### The stock

The stock performed very well after the market crash. Not as well as Shopify, but still comparable. At its highest point in mid-October, the stock had grown about 150% from its cratered valuation. The company also pays dividends and is currently offering a modest yield of 2.1%. It has a market capitalization of \$649 million, about \$10 million of debt, and \$47 million in cash.

The company has one weakness, though. It doesn't have enough hard assets to cover its liabilities, so the balance sheet is a bit unbalanced. The revenue growth is very steady, year after year, and quarter after quarter. The net income is decreasing a bit, but it might just be a temporary setback.

The problem now is valuation. The company is overvalued, but differently from how Shopify or some other tech stocks are overvalued. Its price to earnings is palatable (46.6) compared to other growth-oriented tech stocks, but its price-to-books is unnaturally high: 173.8 times. So a better time to buy into the company would be during another crash.

## Foolish takeaway

One problem with investing in tech stock nowadays is discerning how much of the growth is fuelled by investor sentiment [around the sector](#) and how much its fundamental strength is swaying the decision. The decision becomes even more complicated if you try to predict whether a tech company would grow further or normalize as the economy stabilizes. It comes down to a choice between playing it safe or taking a risk.

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### Date

2025/09/06

### Date Created

2020/11/12  
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