



## 1 Canadian Tech Stock to Buy in 2021

### Description

**Absolute Software** ([TSX:ABST](#))([NASDAQ:ABST](#)) has come a long way from its beginnings in the early 1990s.

Originally called the “LoJack for Laptops,” the company was founded to provide a solution for a growing problem of that time — the theft and loss of laptop computers.

Fast forward 30 years, and Absolute Software is now the only endpoint security solution factory-installed by every major PC manufacturer. This equates to the company’s security software being embedded in over half-a-billion devices worldwide.

The move to partner with device manufacturers started in the early 2000s. The software is factory-embedded into the computer’s Basic Input/Output System, used to perform start-up procedures when the computer is turned on. This makes the software nearly impossible to remove from the device. Whenever someone attempts to remove or reconfigure Absolute, it reasserts itself on the next boot sequence.

Today, with cybersecurity threats at an all-time high, the company is making headway into multiple industries, including, healthcare, education, government, and financial services.

### Recent earnings release

In its [second-quarter earnings](#) of fiscal 2021, Absolute Software reported its top line grew 16%, while its adjusted EBITDA margin improved from 24% to 27%. The average recurring revenue (ARR) grew 17% from the previous year, mostly due to stronger returns from the company’s Enterprise & Government and Education businesses.

The company launched several new products during the quarter, including the Absolute Control mobile app, which protects customers' sensitive data while on the go. The company also introduced software inventory capabilities and web usage analytics, which provides organizations more insights on their endpoint devices' software and web usage.

## Absolute Software makes a comeback

During the Great Recession, stock in Absolute Software took a nosedive. At the end of 2007, shares were trading above \$17. By 2008, its shares had fallen [below \\$4](#).

Over the next few years, the company's cash from operating activities dwindled. It dropped from \$30 million in fiscal 2008 to just \$6.4 million in fiscal 2010. Even though the company's revenues were rising, poorly timed acquisitions, heavy stock-based compensation, and accounting differences in the timing of subscription revenues against the booking of costs accounted for the drop.

The company was also hurt by its heavy reliance on revenue from its OEM (original equipment manufacturers) channels, as computer sales declined as the effects of the recession lingered.

The company began its turnaround in fiscal 2012, with the deliberate expansion into other markets. Absolute Software generated \$88.7 million in sales contracts in fiscal 2012 with almost 30% of its overall business from the data security and device management solutions. The segment grew almost 70% from the prior year.

## The bottom line

The [uptick in PC sales](#) during the COVID-19 pandemic helped Absolute Software in its strong second-quarter performance.

With millions of employees and students forced to work from home during the pandemic, sales of personal computers shot to their highest level in six years. According to market tracker International Data Corp., sales of laptop and desktop computers exceeded 302 million in 2020 — a 13% increase from the year before and the most since 2014.

IDC vice president Ryan Reith noted, "The obvious drivers for last year's growth centered around work from home and remote learning needs, but the strength of the consumer market should not be overlooked. We continue to see gaming PCs and monitor sales at all-time highs, and Chrome-based devices are expanding beyond education into the consumer market. In retrospect, the pandemic not only fueled PC market demand but also created opportunities that resulted in a market expansion."

This expansion should continue to boost Absolute Software's bottom line. Indeed, the company raised its revenue and adjusted EBITDA margin guidance for this fiscal year.

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