



This Growth Stock Has Doubled in Value and Offers a Dividend

Description

Absolute Software ([TSX:ABST](#))([NASDAQ:ABST](#)) has more than doubled in value over the past year. While the stock has pulled lower by more than 15% from its record highs, it is still an exciting pick given its dividend yield and growth prospects in the cybersecurity space.

The ongoing sell-off in tech stocks might create an opportunity for bargain hunters. Here's a closer look at Absolute's prospects and current valuation.

Growth prospects

The company continues to register tremendous growth amid the growing need for online protection solutions. Upon carving a niche for itself with cloud-based endpoint security solutions, Absolute Software might as well have positioned itself for tremendous long-term growth.

Over the past year, corporations deployed more cash to secure their employees' devices, as the global workforce simultaneously went remote. This proved to be a windfall for Absolute Software. Its annual recurring revenue-growth rate has increased in three consecutive quarters.

Now, as the economy reopens and people go back to the office, the demand for cybersecurity is likely to linger on. Russia's unprecedented digital assault targeting numerous companies and agencies on U.S. soil sends a clear message: we're in the middle of a cyber war. While the government must step in to offer protection, corporations need to make independent investments, too.

That means cybersecurity companies like Absolute can sustain their momentum in a post-pandemic world. Accelerated growth in the education segment and growing international footprint should help strengthen the company's revenue base. After posting a 16% year-over-year increase in revenues in Q4, Absolute Software looks set to post decent revenue growth of 12% this year.

Valuation

Trading with a price-to-sales ratio of 7.71, it's clear that Absolute Software is still trading at a [reasonable valuation compared to its peers](#). The company doesn't have much debt on its balance

sheet and has enough dry powder (\$132 million in cash) to fuel acquisitions.

All things considered, Absolute Software stock isn't cheap but certainly isn't as overblown as the rest of the tech sector. The fact that the company has lost nearly a third of its value this year makes it a reasonably priced growth stock.

Absolute Software is an exciting pick for investors, eyeing opportunities in the cybersecurity space. In addition to core business and revenue growth, the company boasts of a forward annual dividend yield of 1.74%, presenting a unique opportunity for investors to generate long-term passive income.

Bottom line

As the global workforce went remote last year, Absolute Software saw a spike in sales. However, demand for cybersecurity tools should persist in a post-crisis world. The latest attack from Russia makes it clear that our digital footprint isn't secure. Absolute should see steady growth for the foreseeable future. Meanwhile, the recent correction has made its stock much better valued.

For long-term investors, this is starting to look like an intriguing opportunity. Keep an eye on it.

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