



## Why Magnet Forensics Stock Has More Than Doubled in 2021

### Description

The ongoing bull run in the equity markets has sent several stocks on the TSX spiraling higher. One such stock is **Magnet Forensics** ([TSX:MAGT](#)), which has gained 116% year to date, [valuing the company at a market cap](#) of \$2 billion. In fact, Magnet Forensics went public on the TSX this May and has more than doubled in market value in less than four months.

The company develops data analytics software that is used for digital forensics investigations. It offers a suite of several products:

- AXIOM: A platform that can analyze and report on the digital evidence from smartphones, cloud, and IoT services.
- AXIOM Cyber: An incident-response solution where enterprises can perform remote acquisitions as well as collect and analyze evidence from computers.
- OUTRIDER: A triage tool used at crime scenes to scan digital media.
- AUTOMATE: An automation tool to enable law enforcement agencies to create digital evidence-processing workflows.
- REVIEW: Here enterprises can share digital evidence via a web-based platform.
- ATLAS: A workflow tool that can manage cases, generate real-time reports, and track digital investigations.
- IGNITE: A cloud-based early case assessment triage tool.

Magnet Forensics serves government agencies, corporations, and professional services firms.

### Magnet Forensics remains a solid long-term bet

Magnet Forensics is part of a highly disruptive vertical and provides essential services to companies. These mission-critical solutions ensure a high customer-retention rate, as switching costs may be really steep.

This has allowed the company to [increase sales from](#) \$26.79 million in 2018 to \$51.22 million in 2020. Magnet Forensics's sales increased by 42% year over year in the June quarter to \$16.5 million. It

reported a gross margin of 94% and an adjusted EBITDA of \$4.4 million. The company's annual recurring revenue rose by 48% year over year to \$49.6 million. It attributed solid top-line growth to expansion in its customer base as well as increased spending from existing ones.

Its robust top-line growth and healthy profit margins have allowed Magnet Forensics stock to crush the broader market in the last four months.

Adam Belsher, CEO of Magnet Forensics said, "Our pipeline of new opportunities is robust and the new offerings we have launched are gaining traction in the market, building on the momentum of our flagship products, Magnet AXIOM and Magnet AXIOM Cyber. As public safety organizations and private enterprises manage the challenges of digital crimes and cyberattacks, our innovative solutions and comprehensive approach to digital investigations positions us to compete and win in this growing market."

Magnet Forensics is a profitable company with minimal debt on its books. It ended Q2 with \$109 million in cash and debt of \$9.43 million.

## Will the stock continue to gain momentum?

Analysts tracking the stock expect Magnet Forensics to increase sales to \$67 million in 2021 and \$86.36 million in 2022. This suggests the stock is valued at a forward price-to-2021-sales multiple of 29.82, which is extremely steep.

Investors might be wary of Magnet's sky-high multiples, and the stock remains vulnerable in a broader market pullback. But its rising top line, expanding customer base, and varied portfolio of mission-critical solutions make it a solid long-term bet.

Analysts have a 12-month average price target of \$38 for Magnet Forensics stock, which is 22% lower than its current trading price.

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## Date

2025/08/18

## Date Created

2021/09/23

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