



Drop Shopify (TSX:SHOP) but Pick Up 1 Cybersecurity Stock

Description

TSX's tech superstar is having a bad year following a so-so performance in 2021. On February 23, 2022, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) sank to \$799.22, or 29.4% from its mid-month closing price. Even before the Russia-Ukraine border crisis escalated, the market mover was on a down trend.

The [technology sector, in general](#), is in a [slump](#) because it's not the place to be when inflation is rising. Shopify has lost significant momentum and was eventually dethroned by the **Royal Bank of Canada** as Canada's most valuable publicly listed company. Its market cap is \$107.13 billion compared to RBC's \$196.04 billion.

While the phenomenal e-commerce platform hibernates, **Absolute Software** ([TSX:ABST](#))([NASDAQ:ABST](#)) could rise in prominence. The pandemic, and now the war, could heighten interest or importance of cybersecurity. CNN reports that the government websites in Ukraine were hit by a series of cyberattacks.

The websites of the Ukrainian Cabinet of Ministers, ministries of foreign affairs, infrastructure, and education, among others, experienced disruptions. Cybersecurity researchers said a destructive cyberattack was unfolding while Russia escalates its military operations.

Revenue slowdown

Shopify ended 2021 on a strong note, as evidenced by the 18% growth in monthly active users (MAUs) in the last quarter versus Q4 2020. Its ad-supported revenue, 15% of total revenue, was also a record for the company. Despite the not-so-strong fundamentals for earnings and cash flow, explosive revenue growth has been Shopify's hallmark.

The stock has been a TSX30 winner each year since the flagship program was launched two years ago. It ranked number one in 2020 and placed second in 2019 and 2021. Performance-wise, Shopify rewarded investors with a total return of 252.27% (51.98% CAGR) in the last 3.01 years.

Management's warning of a revenue slow down in the first half of 2022, due to diminishing consumer

spending, turned off investors. The stock price fell 17.1% on February 16, 2022. The challenge now for Shopify and businesses in the e-commerce space is to continue growing in the post-pandemic era.

The war in Eastern Europe is a headwind and if the global economy slows down as result, Shopify's growth could be in jeopardy. Under the present conditions, risk-averse investors will move toward companies with durable moats.

Deterrent against hackers

Absolute Software underperforms in 2022 (-5.5% year-to-date), but is doing better than Shopify. Based on analysts' forecasts, the cybersecurity stock return potential in 12 months is between 46.1% and 98.5%. The current share price is \$11.16.

The \$563.16 million technology company from Vancouver develops a cloud-based control device that enables clients to strengthen the security of computing devices and management them better.

In Q2 fiscal 2022 (quarter ended December 31, 2021), revenue grew 64% to US\$49 million versus Q2 fiscal 2021. However, Absolute incurred a net loss of US\$5.1 million compared to the US\$1.9 million net income in the same quarter in fiscal 2021.

Nevertheless, Absolute Software CEO Christy Wyatt said the quarterly results demonstrate steady, consistent growth due to the strong demand for resilient endpoint and secure access platforms. She assures investors that the company is [well-positioned to deliver](#) profitable growth.

Better option

Technology is the worst-performing sector (-21.73%) thus far in 2022. Unfortunately, the sector's biggest star isn't the best investment option today. A cybersecurity stock will deliver superior returns on top of the 2.88% dividend yield.

CATEGORY

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2. Tech Stocks

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