



2 Top Cybersecurity Stocks Canadians Can Buy in 2022

Description

While investors are sweating over the steep valuations of [growth stocks](#), they can consider companies part of the cybersecurity vertical that are generally recession-proof. Despite an inflationary environment, enterprise spending on cybersecurity is expected to touch US\$1.75 trillion between 2021 and 2025, up from just US\$3.5 billion in 2004, according to a report from Cyber Security Ventures.

The need to accelerate digital transformation processes, replacement of legacy systems, the shift towards cloud-based computing, and the transition towards a work-from-home model have acted as secular tailwinds for cybersecurity players such as **Check Point** ([NASDAQ:CHKP](#)) and **Magnet Forensics** ([TSX:MAGT](#)).

Let's see why these top cybersecurity stocks should be part of your investment portfolio in 2022.

The bull case for Check Point

One of the larger players in the [cloud security](#) vertical, Check Point ended 2021 with US\$2.17 billion in sales — an increase of 5% year over year. Comparatively, its adjusted earnings surged by 4% to US\$7.02 per share in 2021.

Cloud security is a vertical where the security provider and the customer share responsibilities. The provider needs to ensure infrastructure is safeguarded while customers need to manage user access and account privileges.

In Q4 of 2021, Check Point increased sales by 6% to US\$599 million, while adjusted earnings surged by 4% to US\$2.25 per share. Its revenue in Q4 exceeded the company's midpoint guidance by US\$17 million, while EPS exceeded the high-end of its guidance.

Check Point attributed top-line growth to its subscription business, where sales were up 14% at US\$204 million. In 2021, subscription revenue soared by 13% to US\$755 million, accounting for more than a third of total sales.

Its deferred revenue was up 15% in Q4 at US\$1.7 billion, which is a good indicator of subscription sales. Basically, deferred revenue is the income collected in advance for services delivered at a later date. Check Point's widening base of subscribers will allow the company to create a stable revenue stream and derive cash flows across business cycles.

The bull case for Magnet Forensics

Valued at \$1 billion by market cap, [Magnet Forensics](#) develops data analytics software used for digital forensic investigations to companies part of the public and private sectors. In Q3 of 2021, Magnet reported revenue of US\$17.8 million — an increase of 44% year over year. It ended the quarter with a gross margin of 93%, allowing it to report a net income of US\$2.2 million.

Magnet's adjusted EBITDA also rose by 33% to US\$4.6 million while annual recurring revenue rose by 48% to US\$54 million. The company's sales have grown from US\$26.8 million in 2018 to US\$51.2 million in 2020. Now, sales are forecast to touch US\$87 million in 2021 and \$113 million in 2022.

We can see that Magnet is valued at a forward price-to-2022-sales multiple of 6.7 and a price-to-earnings multiple of 65, which is steep. But growth stocks command a premium due to which they remain vulnerable when markets turn bearish.

Magnet is a profitable company and has close to \$150 million in cash due to the net proceeds from its IPO.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:CHKP (Check Point Software Technologies Ltd.)
2. TSX:MAGT (Magnet Forensics)

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