



Cybersecurity Stocks: Russia's Cyberwar Could Have Lasting Impact

Description

It's been 19 days since Russian forces invaded Ukraine. Since then the world has focused on economic sanctions, fuel security, and military tactics. However, the cyberwar may have fallen under the radar.

Russia's cyber capabilities are widely considered to be the most sophisticated in the world. As the conflict drags on, corporations and government agencies across the world may have to beef up their cybersecurity infrastructure. Investors could look to local Canadian cybersecurity companies playing a key role in this battle. Here's what you should know.

Russia's cyber capabilities

Russia is widely believed to have sophisticated cyber warfare tools in its arsenal. Kremlin-backed hackers could be capable of shutting down key pieces of infrastructure such as gas pipelines and energy grids. They could also block online information, steal data, extract money, or spread propaganda online.

There are concerns that Russia-linked attacks may have already started and could escalate as the conflict drags on. To protect our economy, the government and business community may have to expand their budget for cyber defense. That could make cybersecurity stocks an interesting investment option.

Cybersecurity stocks

The government relies heavily on commercial partners to secure our digital infrastructure. These cybersecurity technology companies have received little attention in recent years, but that could change with the ongoing conflict.

Ontario-based **Magnet Forensics** ([TSX:MAGT](#)) is a good example. The company's software helps digital forensic professionals track and respond to vulnerabilities. It also offers automation tools that

can help companies or government agencies quickly patch these vulnerabilities if detected.

Year-to-date, Magnet's stock is down 20%. It's now worth just over \$1 billion. However, the company's growth was steady and robust long before the invasion and greater cybersecurity threats emerged. Revenue was up 37% in its most recent quarter. Meanwhile, annual recurring revenue expanded to \$61.3 million. Gross margins remained steady at 93%.

Another potential cybersecurity stock is **Absolute Software** ([TSX:ABST](#))([NASDAQ:ABST](#)). The Vancouver-based firm offers a wide range of tools ranging from data surveillance to insider threat prevention. Its list of clients includes government agencies, health care facilities, and educational institutions.

Absolute is half the size of Magnet with a market capitalization of just \$500 million. However, the valuation is arguably more attractive. Absolute Software's stock trades at a price-to-sales ratio of just 2.9.

Both these stocks should be on your radar for the near future.

Bottom line

Investors under-appreciate the risk of cyberwar. Russia has advanced tools that could cause severe damage to our economy, financial system, and critical infrastructure. As the war in Eastern Europe drags on and sanctions escalate, the need for cybersecurity could grow.

This risk could already be on the radar for major corporations and government agencies. Institutions could boost their cybersecurity budgets in the months ahead, which is a potential tailwind for companies like Magnet Forensics and Absolute Software. Investors should keep an eye on this trend as it develops.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:ABST (Absolute Software)
2. TSX:ABST (Absolute Software)
3. TSX:MAGT (Magnet Forensics)

PARTNER-FEEDS

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2. Koyfin
3. Msn
4. Newscred
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