



## Is Magnet Forensics Canada's Next Multibagger Stock?

### Description

**Magnet Forensics** ([TSX:MAGT](#)) is yet another victim of the recent tech rout. Shares of this Waterloo-based cybersecurity solutions provider fell 15% in April after enjoying a gradual recovery in the previous few months. Today, shares are trading around a 28% year-to-date loss, compared with a 2.2% drop in the TSX Composite benchmark.

Even though the current geopolitical and economic uncertainties could keep the stock highly volatile in the short term, I believe Magnet Forensics has the potential to become Canada's next big multibagger stock in the long run. Here's why.

### Magnet Forensics' young journey on the TSX

It's been one year since Magnet Forensics went public and started trading on the Toronto Stock Exchange. Tech investors gave the IPO a warm welcome, and MAGT stock climbed about 35% from its offering price of \$17 per share on the very first day of trading.

In the following few months, the stock continued its spectacular upward journey as it soared to its record high of \$64.90 per share in August 2021 on better-than-expected second-quarter results. Notably, Magnet Forensics had posted an adjusted net profit of around US\$1.6 million — about 130% stronger than Bay Street's expectation. Although a tech sector selloff in September 2021 trimmed MAGT stock's gains, shares still managed to end Q3 with solid 66% positive returns at \$42.55 a pop.

### The stock's recent underperformance

Since then, the sector's troubles have kept Magnet Forensics under pressure: Rising inflation, the possibility of aggressive interest rate hikes in the near term, supply chain disruptions, and fears of slowing global economic growth all continue to sour investors' appetite for tech stocks. Notably, Magnet Forensics shares have dropped 44% between October 2021 and April 2022 — making the company look undervalued at today's price near \$24.

## The growing popularity of Magnet Forensics' cybersecurity solutions

Magnet Forensics primarily focuses on providing digital investigation software to customers across the world. Its digital forensics, case analytics & intelligence, and electronic discovery tools are capable of analyzing various digital sources, including IoT devices and cloud services. These tools also help organizations manage cybercrime evidence — giving Magnet's solutions a competitive edge.

Thanks to the rising popularity of its easy-to-use, innovative cybersecurity products, Magnet Forensics has a large customer base of more than 4,000 public and private-sector customers in more than 90 countries. To accelerate its growth, the company continues to focus on new product updates and launches.

## What could make MAGT a big multibagger TSX stock

I expect Magnet Forensics to become the next multibagger stock on the TSX because:

- Its easy-to-use solutions effectively investigate and report cybercrimes
- The cybersecurity industry has tremendous growth potential

The pandemic accelerated the digital transformation trends of remote and hybrid work. Although this has multiple benefits for businesses, such as easily expandable market reach and lower operating costs, it also opens the door to more cyber vulnerabilities.

Given that, the demand for Magnet's innovative digital investigation tools is likely to skyrocket as more organizations than ever try to protect their critical data. This demand factor could help Magnet Forensics keep crushing analysts' earnings estimates and drive a big rally in its stock. That's why you may want to invest in this seemingly cheap tech stock with huge upside potential — before it's too late.

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