



What's Next for Magnet Forensics Stock After Hitting a 52-Week High Last Week?

Description

While many tech stocks are seeing a decent comeback in 2023, a small-cap cybersecurity stock **Magnet Forensics** ([TSX:MAGT](#)) broke through the roof last week. It zoomed 14% after its announcement came to combine with Grayshift LLC — a mobile device digital forensic company. The stock hit a 52-week high of \$44.3 last week, reaching a transaction valuation of \$1.8 billion.

Should you buy MAGT stock now?

Canadian tech stocks have been on a massive setback and lost almost 30% of their value last year. Magnet Forensics was no exception in the first half of 2022. However, it witnessed a smooth recovery in the second half. Since May 2022, MAGT stock has returned a generous 200%, notably beating peer [TSX tech stocks](#).

Magnet Forensics provides businesses with tools to investigate digital crimes. It designs and develops digital investigation software that helps acquire evidence from mobile, computers, Internet of Things devices and the cloud. Its customer base includes private as well as government agencies. Magnet's investigation platforms are currently used by 4,000 companies in over 100 countries.

According to the company website, researchers forecast the industry to be worth US\$270 billion in 2026, representing a decent growth of 8% compounded annually.

Magnet Forensics: Financial growth and prospects

For the last 12 months, Magnet Forensics reported a total income of US\$0.26 million on total revenues of US\$89 million. This implies a decent revenue growth of 27% compared to 2021.

Since 2018, its revenues have grown 35% compounded annually, implying above-average growth. Magnet has a pretty decent margin profile, where its long-term gross margins averaged around 92-93%. The pressure on net margins was quite visible in the first half of 2022, which was well reflected in the stock price as well.

It could be hard to maintain such a pace of top-line growth going forward, especially amid the looming recession fears. Tech companies generally cut back their spending on cybersecurity and related expenses when there is an uncertain business environment.

Magnet is expected to combine with Grayshift — a company led by a famed private equity investor Thoma Bravo. The new entity will be taken private after the transaction. The acquisition price represents a 160% premium to MAGT's initial offer of \$17.

While existing investors multiplied their wealth after its recent surge, there is nothing much left for new investors. However, here is one pick long-term investors can consider.

Top TSX tech stock for a long term

Canadian payment processor stock **Nuvei** ([TSX:NVEI](#)) looks well placed to play well in 2023 and beyond. It has soared more than 40% so far in 2023. It offers huge growth prospects with its scale and strong earnings potential. In a short period of time, it has expanded globally and now operates in more than 200 markets, supporting over 150 currencies.

Total volumes at Nuvei have surged from US\$14 billion in 2018 to US\$121 in 2022. That's an astounding 71% growth compounded annually. Total volumes represent the total dollar value of transactions completed on Nuvei platform.

Moreover, Nuvei management expects total annual revenues of US\$835 million for 2022, indicating year-over-year growth of 15% and a massive 54% growth since 2018. Note that the 2022 numbers are forecasted by the company, and it will release its fourth-quarter earnings in March.

Conclusion

NVEI stock looks appealing after its immense correction last year. If the rate hike and inflation indeed ease by the second half of 2023, as many expect, Nuvei will likely see a much faster recovery. It could be a [sizeable wealth creator](#) in the long term, based on its diversified revenue base and global presence.

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2. Tech Stocks

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