



## Top Canadian Cybersecurity Stocks of 2023

### Description

Cybersecurity stocks are companies that help individuals and organizations protect digital data from cyber threats.

Though many cybersecurity companies are growth stocks in the initial stages of expansion, analysts and investors are bullish about the industry's growth potential. The number of cyberattacks on Canadian businesses (both small and large) has increased over the last decade. And with cyberattacks from foreign entities becoming a more plausible threat, the need for cybersecurity services grows more urgent by the day.

This heightened demand for more internet protection could make cybersecurity companies great long-term stocks.

Let's break down what cybersecurity companies are and list some of the best cybersecurity stocks trading on the [Toronto Stock Exchange \(TSX\)](#).

### What are cybersecurity stocks?

Cybersecurity stocks are companies designing solutions to safeguard organizations from common cybercrimes, such as ransomware attacks, malware, phishing, and distributed denial-of-service (DDoS) attacks.

Cybercriminals typically want to destroy or change an organization's data, steal its money, or just wreak havoc. To counteract these cyber threats, cybersecurity companies help organizations protect themselves by strengthening network security, implementing multifactor authentications, providing endpoint security, and even using artificial intelligence to detect break-ins and hunt down criminals.

### Why invest in cybersecurity stocks?

Short answer: There's a strong need for it.

Cybersecurity is quickly becoming a corporate necessity. Companies can no longer get away with having flimsy firewalls or outdated software protecting their networks. Cyberattacks are getting more sophisticated and hitting companies where it hurts—their bank accounts. One cyberattack could easily become an *ouch* with seven zeros attached to it.

Fortunately, companies are beginning to wake up to their vulnerability. This could be why worldwide cybersecurity spending could climb exponentially higher in the next three years.

If we break that spending down, we'll see that the heightened demand for cybersecurity is fuelled by three interconnecting catalysts:

- **Cyber wars:** The war in Ukraine and geopolitical tensions between Russia (and its allies) and the West have increased the likelihood of cyberattacks across borders.
- **Remote work:** More companies are adopting work-from-home policies, which leaves more devices outside firewalls and vulnerable to attacks.
- **Hyper-localized cyberattacks:** In a world that's shrinking to the degree that it's more digitally connected, hackers can target small- and medium-sized targets from thousands of miles away.

The fear of getting hacked—and allowing malicious users access to sensitive information—is why cybersecurity solutions are becoming so important in our digital world. That's a good enough reason to consider cybersecurity stocks, as the demand for internet protection isn't going away anytime soon.

## Top cybersecurity stocks in Canada

As of 2022, Canada ranks sixth in the world in terms of cybersecurity venture capital deals, as well as sixth for cybersecurity protection.

In fact, in 2021, the Canadian government invested \$80 million in cybersecurity research, development, and talent acquisition, helping to accelerate Canada's growing cybersecurity [market sector](#).

Below are three of the top cybersecurity stocks you'll find in Canada.

Cybersecurity Stock	Description
Blackberry ( <a href="#">TSX:BB</a> )	Builds endpoint security and other cybersecurity solutions, specifically for the healthcare and automotive sectors
Magnet Forensics ( <a href="#">TSX:MAGT</a> )	Designs tools for law enforcement and government agencies to investigate cybercrimes
Absolute Software ( <a href="#">TSX:ABST</a> )	Provides endpoint security and zero trust security to education, healthcare, and governmental sectors

## 1. Blackberry

Based out of Waterloo, Blackberry has gone from providing the coolest cell phone of pre-smartphone times, to becoming a major player in the cybersecurity sector.

Blackberry uses machine learning (a branch of artificial intelligence) to design cybersecurity solutions that continually improve themselves as they're tested by all types of cyber threats. The smarter the machine becomes, the less likely malware is capable of breaching an organization's database, even if the cybersecurity software has never seen the malware before.

To be fair, Blackberry hasn't totally rebranded itself as a cybersecurity company. It's also engaged in developing advanced technology for the automotive sector, which hasn't fared well for the company in recent years. Over the long run, however, Blackberry has immense potential in the cybersecurity sector, even if it experiences short-term volatility.

## 2. Magnet Forensics

Magnet Forensics is a software and analytics company that helps law enforcement and other government agencies investigate digital crimes.

Also based out of Waterloo, Magnet Forensics has a slew of cybersecurity products that help organizations investigate fraud and IP theft, track down cyber criminals, and probe into employee harassment cases. Though its software is less preventive and more remedial, it can also throw light on a network's potential vulnerabilities, as well as hunt down threats that are already within a system.

The recent tech stock meltdown hasn't been kind to Magnet Forensics' stock. But that's not to say the company isn't poised for long-term growth. In fact, now might be a good time to scoop up this company's stock, as its cybersecurity solutions are still in high demand.

## 3. Absolute Software

Absolute Software is a Canadian-American company that specializes in endpoint and zero-trust security.

"Endpoints" are devices that are connected to an organization's network but operate outside its walls. For example, many work-from-home employees have endpoint laptops or desktops, which communicate with the organization's network even if its hundreds of miles away. Cyberattackers love to target endpoints, as an endpoint is often an optimal *entry* point into an organization's overall system.

Absolute Software protects a firm's endpoints with its flagship product, Absolute Platform, which gives IT departments complete visibility of all devices connected to the main network. During the pandemic, when work-from-anywhere became the norm, demand for this particular product skyrocketed, as firms felt vulnerable with so many devices untracked and unmonitored.

Like other tech stocks, Absolute Software didn't have the best 2022. But the stock still pays a dividend, and its solutions haven't lost their luster in a country's that's increasingly adopting remote work

policies.

## Investing in foreign cybersecurity markets

Though Canada has some great cybersecurity companies in the works, many of the largest cybersecurity companies trade in the United States. Below are some of the best cybersecurity stocks [you can buy on U.S. markets](#).

Cybersecurity Stock	Description
CrowdStrike Holdings ( <a href="#">NASDAQ:CRWD</a> )	The largest cybersecurity company by market cap in the U.S., specializing in endpoint protection
Zscaler ( <a href="#">NASDAQ:ZS</a> )	Cloud-based cybersecurity company with internet security and end-user monitoring products
Okta ( <a href="#">NASDAQ:OKTA</a> )	A pioneer in identity and access management, using a security methodology called zero-trust architecture

## Are cybersecurity stocks right for you?

As a high-growth segment of the [tech sector](#), cybersecurity stocks could offer Canadian investors significant upside potential over the long term.

Because corporations and governments have an increased need to safeguard their data from cyberattacks, the products and services offered by cybersecurity companies will likely be in high demand. For buy-and-hold investors, these stocks could present a lucrative opportunity to buy low now and sell high later.

Investors should note that many cybersecurity stocks are [growth stocks](#) which are still expanding their businesses. Volatility in the short term should be expected. Market corrections are not uncommon during bearish times and bull runs after severe (and heavily reported) cyberattacks.

You might find the valuations on cybersecurity stocks to be higher than the industry average, as many of these companies will reinvest profits and investor dollars into their own continued expansion.

For investors who don't want to choose an individual stock, you could also buy shares in a cybersecurity ETF. Two great cybersecurity ETFs you might want to consider:

- Evolve Cyber Security Index ETF ([TSX:CYBR](#))
- iShares Cybersecurity and Tech ETF ([NYSE:IHAK](#))

### TICKERS GLOBAL

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

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