Analyzing the Profit Potential of 3 Tech Stocks

The tech industry is set for growth due to continued investments in digitization and the adoption of emerging technologies. Therefore, we examine the prospects of quality tech stocks Research Institute (NRILY), Brother Industries (BRTHY), and RADCOM (RDCM). Read more….

The tech industry is booming despite economic challenges, as the growing use of technology in different sectors, higher investments in digitization, and emerging technologies drive demand for tech solutions.

Given this backdrop, it could be wise to invest in fundamentally strong tech stocks: Nomura Research Institute, Ltd. (NRILY), Brother Industries, Ltd. (BRTHY), and RADCOM Ltd. (RDCM).

Before diving deeper into the fundamentals of these stocks, let’s discuss what is shaping the tech industry’s prospects.

The digital revolution and the rising use of advanced technologies like Artificial Intelligence (AI) are the key factors boosting the tech industry’s prospects. With smart devices and advanced computers, the tech industry is a dominant force in the global economy.

After the post-pandemic challenges and struggles with navigating a high-interest rate environment, the tech industry made a strong comeback thanks to the AI wave. The global AI market is projected to grow at a 37.3% CAGR between 2023 and 2030.

Gartner predicts global IT spending to hit $5.10 trillion in 2024, an 8% increase. This growth is expected to be fueled by higher investments in cloud computing, growth of generative

AI, and digital transformation of businesses.

Tech stocks have been in the spotlight this year, with the Technology Select Sector SPDR Fund (XLK) gaining 47.2% year-to-date, outpacing the broader SPDR S&P 500 ETF Trust's (SPY) 17.7% returns.

Considering these conducive trends, let's analyze the fundamentals of the featured stocks.

Nomura Research Institute, Ltd. (NRILY)

Headquartered in Tokyo, Japan, NRILY offers consulting, financial, and industrial IT solutions and IT platform services. Its segments include Consulting, Financial IT Solutions, Industrial IT Solutions, and IT Infrastructure Services. The company provides management and system consulting, system development, and operational solutions for various sectors, such as finance, manufacturing, and public services.

On April 27, 2023, NRILY announced the acquisition of up to 20 million shares of its common stock, representing 3.38% of total issued shares, with a total acquisition price of up to ¥50 billion ($338.18 million). The purpose is to enhance capital efficiency and align with NRILY's agile equity policy in response to changes in the business environment.

In terms of the trailing-12-month net income margin, NRILY's 10.92% is 517.7% higher than the 1.77% industry average. Likewise, its 15.68% trailing-12-month EBIT margin is 234.4% higher than the industry average of 4.69%. Furthermore, the stock's 0.86x trailing-12-month asset turnover ratio is 38.3% higher than the industry average of 0.62x.

NRILY's revenue for the six months ended September 30, 2023, increased 6.8% year-over-year to ¥362.07 billion ($2.43 billion). The company's operating profit increased 6.5% over the prior-year period to ¥58.87 billion ($394.96 million).

Also, its profit attributable to owners of parent and EPS came in at ¥37.66 billion ($252.66) and ¥64.09, up 5% and 5.7% year-over-year, respectively.

For the fiscal year ending March 31, 2024, NRILY's revenue is expected to increase 51.6% year-over-year to $4.98 billion. Over the past nine months, the stock has gained 30.1% to close the last trading session at $28.28.

NRILY's POWR Ratings reflect strong prospects. It has an overall rating of B, translating to a Buy in our proprietary rating system. The POWR Ratings assess stocks by 118 different factors, each with its own weighting.

It is ranked #4 out of 9 stocks in the A-rated Outsourcing – Tech Services industry. It has a B grade for Stability and Quality. Click here to see NRILY's rating for Growth, Value, Momentum, and Sentiment.

Brother Industries, Ltd. (BRTHY)

Headquartered in Nagoya, Japan, BRTHY manufactures and sells communications and printing equipment in Japan, the Americas, Europe, Asia, Oceania, the Middle East, Africa, and internationally. It operates through Printing & Solutions, Machinery, Domino, Nissei, Personal & Home, and Network & Contents segments.

On October 27, 2023, BRTHY introduced the "PureEne" brand, showcasing its dedication to promoting hydrogen use through fuel cell development and hydrogen pillar pipeline projects. The first product, the "AC-UPS Series," a hydrogen fuel cell and battery hybrid power supply, is now being shipped in Japan and selected as an emergency backup at Narita Airport.

On July 24, 2023, BRTHY announced its 20th consecutive year of co-sponsoring the World Cosplay Summit. They're offering the ScanNCut DX cutting machine as the "Brother Prize' for costume making. BRTHY will also demonstrate crafting at Oasis 21 and

support the World Cosplay Championship, giving cosplayers a platform to showcase their works created with BRTHY products.

In terms of the trailing-12-month Capex/Sales, BRTHY's 4.29% is 83.6% higher than the 2.34% industry average. Likewise, its 4.61% trailing-12-month net income margin is 160.7% higher than the 1.77% industry average. Additionally, its 5.93% trailing-12-month Return on Common Equity is 499.4% higher than the 0.99% industry average.

For the fiscal second quarter that ended September 30, 2023, BRTHY's revenue increased 1.2% year-over-year to ¥199.23 billion ($1.34 billion). The company's operating profit rose 42.2% over the prior year's quarter to ¥17.70 billion ($118.75 million). Moreover, its profit for the period and EPS amounted to ¥12.66 billion ($84.94 million) and ¥49.39.

Analysts expect BRTHY's revenue for the quarter ending June 30, 2024, to increase 6.4% year-over-year to $1.50 billion. Over the past nine months, the stock has gained 16% to close the last trading session at $33.43.

It's no surprise that BRTHY has an overall rating of A, which translates to a Strong Buy in our proprietary rating system. It has an A grade for Stability and a B for Value and Quality.

Within the B-rated Technology – Electronics industry, it is ranked first out of 40 stocks. In total, we rate BRTHY on eight different levels. Beyond what we stated above, we also have given BRTHY grades for Growth, Momentum, and Sentiment. Get all the BRTHY ratings here.

RADCOM Ltd. (RDCM)

Headquartered in Tel Aviv, Israel, RDCM provides 5G-ready cloud-native network intelligence and service assurance solutions for telecom operators or communication service providers (CSPs). Its offerings include RADCOM ACE, RADCOM Service Assurance, RADCOM Network Visibility, and RADCOM

Network Insights.

On July 13, 2023, RDCM launched its 5G assurance solution on Google Cloud, providing telecom operators with automated, cloud-native assurance to enhance customer experience and proactively improve 5G service quality. The solution seamlessly integrates with Google Kubernetes Engine (GKE) and BigQuery, using AI-driven analytics to address 5G standalone network deployment challenges.

In terms of the trailing-12-month net income margin, RDCM's 2.20% is 24.2% higher than the 1.77% industry average. Likewise, its 18.74% trailing-12-month levered FCF margin is 127.5% higher than the industry average of 8.24%. Furthermore, the stock's 1.05% trailing-12-month Return on Total Assets is significantly higher than the industry average of 0.07%.

RDCM's revenue for the fiscal third quarter ended September 30, 2023, increased 9.9% year-over-year to $13.12 million. The company's non-GAAP gross profit increased 12.9% year-over-year to $9.94 million. Additionally, its non-GAAP net income and net income per share came in at $2.40 million and $0.15, up 149.5% and 150% year-over-year, respectively.

Street expects RDCM's revenue for the quarter ending December 31, 2023, to increase 10.3% year-over-year to $13.55 million. Over the past month, the stock has declined 2.1% to close the last trading session at $8.06.

RDCM's strong fundamentals are reflected in its POWR Ratings. It has an overall rating of B, which translates to a Buy in our proprietary rating system. It has an A grade for Sentiment and a B for Growth, Stability, and Quality.

Within the Technology – Services industry, it is ranked #6 out of 81 stocks. To see RDCM's Growth, Stability, Sentiment, and Quality ratings, click here.

What To Do Next?

43 year investment veteran, Steve Reitmeister, has just released his 2024 market outlook along with trading plan and top 11 picks for the year ahead.

2024 Stock Market Outlook >

NRILY shares were unchanged in premarket trading Thursday. Year-to-date, NRILY has gained 19.99%, versus a 20.30% rise in the benchmark S&P 500 index during the same period.

About the Author: Abhishek Bhuyan



Abhishek embarked on his professional journey as a financial journalist due to his keen interest in discerning the fundamental factors that influence the future performance of financial instruments.

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