

Twilio Inc

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Not just big tech: the other tech categories set to dominate markets in 2021

Tech is set to dominate the trends in investing in the new year, but it's not just going to be the 'big tech' Wall Street is so infatuated with.

According to Michael Loukas, chief executive and principal of TrueMark Investments, younger, lesser-known tech stocks are quickly becoming important "category killers" while work-from-home beneficiaries are set to continue thriving.

"There's always a ripe environment for category killers," he told Proactive.

"Once a technology is adopted by enough customers, there it's a virtual certainty that that technology is going to crush its competitors in the category, simply because there's such a high cost involved with switching from one technology to another one ecosystem built around that technology within the customers company."

Looking at US stocks, Loukas identified three 'category killers': server monitoring service Datadog Inc (NASDAQ:DDOG), cloud communications platform Twilio Inc (NYSE:TWLO) and identity management company Okta Inc (NASDAQ:OKTA).

Companies involved in cybersecurity, software as a service and cloud computing are expected to benefit from the "irreversible digitalisation" of the economy as all sectors will have to update their operations to meet new standards of work.

When it comes to work-from-home trends, Loukas reckons the end of global lockdowns will not mean a stop to innovation.

In fact, most companies that benefitted from the massive switch away from offices were already thriving, so the pandemic merely accelerated existing trends and shone a light on the usefulness of remote working, as the economy naturally transitions to digital.

With companies worldwide planning to downsize their offices or go remote-only altogether, tech stocks in this space are bound to thrive well after restrictions are eased.

Software providers such as Elastic NV (NYSE:ESTC), Varonis Systems Inc (NASDAQ:VRNS), Zscaler Inc (NASDAQ:ZS) and CrowdStrike Holdings Inc (NASDAQ:CRWD) have been some of the main beneficiaries so far and are expected to continue doing so.

"What's important to realise is that these companies are... a function of a paradigm shift in the economic landscape to digital and they weren't necessarily a part of pandemic preparedness, they certainly got a bump from that," Loukas told Proactive.

Price: 392.88

Market Cap: \$64.52 billion

1 Year Share Price Graph



February 2020 August 2020 February 2021

Share Information

Code: TWLO

Listing: NYSE

52 week High Low
457.3 68.2

Sector: Software & services

Website: www.twilio.com

Company Synopsis:

Twilio powers the future of business communications. Enabling phones, VoIP, and messaging to be embedded into web, desktop, and mobile software. We take care of the messy telecom hardware and expose a globally available cloud API that developers can interact with to build intelligent and complex communications systems. As your app's usage scales up or down, Twilio automatically scales with you.

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"I think they need to be seen as such and so you recognise that the secular growth stories are not inextricably connected to work from home."

However, this doesn't mean that stocks that have been rising recently will continue to do so, as they could always been challenged in the future.

As Loukas noted, in the case of 'category killers' the winner takes it all, there aren't multiple killers in each category.

"It's not so much questioning whether or not there is additional growth to be increased valuation, or equity prices: it's a question of identifying what topic you're going to be the winners each category," Loukas concluded.

"We believe that we're the tip of the iceberg with digitalisation but you still have to identify the winners and the losers and continue to deploy your capital under portfolio and crush it on the winners."

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