

Capita PLC

18:59 01 Sep 2020

Remote working stocks to back if Boris Johnson fails with his back-to-the-office campaign

As Downing Street launches a campaign to repopulate city workplaces, office closures from companies like Capita PLC (LON:CPI) and the share price reaction to Zoom Video Communications Inc's (NASDAQ:ZM) results imply plenty of people think the 'new normal' is here to stay for a while yet.

If that is the case, investors may be doubling down on other large and small cap stocks offering a play on the work-from-home trend on both sides of the Atlantic, such as Ocado Group PLC (LON:OCDO), Amazon.com Inc (NASDAQ:AMZN), LoopUp Group PLC (LON:LOOP) and NexTech AR Solutions Corp. (OTCQB:NEXCF).

Helped by **strong quarterly numbers overnight**, Zoom Video's near-400% rise since the start of the year implies investors see the company as a fixture in the workplace for the foreseeable future.

This trend was given more concrete evidence on the day by outsourcer Capita PLC (LON:CPI) as it reportedly **plans to shut well over a third of its offices**, having said recently that "COVID-19 has accelerated the transformation of our working practices".

Capita is far from alone, with other companies such as recruiter Indeed and bank NatWest (LON:NWG) telling staff to continue to work from home until at least the first quarter next year, while the CEO of Barclays (LON:BARC) passes of the transferring of around 70,000 staff to home working as likely to be "a long-term adjustment".

Some firms, such as Facebook, Twitter and Slack, have even told staff they don't ever have to come back to the office.

Tech analyst Damindu Jayaweera at Peel Hunt is among those who have been predicting the WFH trend will drive a longer-lasting second wave of tech spending, boosting the likes of Softcat (LON:SCT), Gamma Communications (LON:GAMA), and corporate clients of the broker such as NCC (LON:NCC), Blancco Technology (LON:BLTG) and iomart (LON:IOM).

UK focused companies may be best positioned, as there is a disparity, however, between UK workers and their European counterparts, with analysis from Morgan Stanley's AlphaWise unit, which early last month noted that just under a third of UK white-collar employees are commuting again, compared to more than two-thirds of those on the continent.

Even if things get 'back to normal', that fact that so many jobs have been proved to be effectively done from home makes it close to certain that there will be a greater number of us working from home in the coming years.

Remote-working stocks worth a look

Price: 37.38

Market Cap: £623.28 m

1 Year Share Price Graph



Share Information

Code: CPI

Listing: LSE

52 week High Low
169.95 19.84

Sector: Business & education services

Website: www.capita.co.uk

Company Synopsis:

Capita is the UK's leading business process outsourcing (BPO) and professional services company, offering back office administration and front office customer contact services to private and public sector organisations across the UK and Ireland.

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Starting with the big names, along with Zoom, other US behemoths like Amazon and Microsoft Corp (NASDAQ:MSFT) are enabling workers and companies to interact, along with many providers of handy tech whose names might not be quite so well known, such as Citrix Systems, Inc. (NASDAQ:CTXS), cloud communications platforms Slack (NYSE:WORK) and Twilio (NYSE:TWLO), e-signature company DocuSign's (NASDAQ:DOCU) and user authentication specialist Okta (NASDAQ:OKTA).

Computer giants Dell Inc (NYSE:DELL) and HP Inc (NYSE:HPQ) both saw their stock rise last week on the back of **strong demand for laptops and at-home office equipment**, something that **has also boosted Computacenter** (LON:CCC).

UK cybersecurity group Avast PLC (LON:AVST) makes products that are used for work and home computers. The company recently boasted a strong first-half performance and hiked its full year revenue outlook as its strong operational and financial performance has been "aided by the work-from-home trend that has driven an increase in online consumer activity and product engagement".

Crossword Cybersecurity PLC (LON:CCS) also said it was cautiously optimistic of hitting full-year targets after a first half that saw revenues rise 43% year-on-year, with the pandemic, Brexit and various ESG matters driving demand.

Something slightly different is offered by NexTech AR Solutions Corp (OTCQB:NEXCF) (CSE:NTAR) (FSE:N29), an emerging leader in augmented reality (AR) for eCommerce, which recently revealed that its recently launched AR solution for video, ScreenAR, has generated over \$100,000 in sales in its first month and is gaining momentum.

The coronavirus has presented another Stateside contender, Ipsidy Inc (OTCQB:IDTY), with new opportunities, it has said, as COVID-19 is accelerating demand for verifying identity remotely, as well as securing touchless interaction as more businesses reopen.

Dev Clever Holdings (LON:DEV) has been on the rise since saying in late March that subscriptions for its SaaS-based career guidance platforms, Launchyourcareer.com and VICTAR VR, had increased by over 223% since the end of February, with launches in the US and Canada since.

As well as remote working, remote learning has been given a leg up by the lockdown and is also likely to see some level of structural change as a result, boosting firms such as VR Education PLC (LON:VRE), which has enjoyed an increased level of interest in its virtual reality platform designed to allow users to interact in virtual classrooms and offices.

Canada's mCloud Technologies (CVE: MCLD-OTCQB: MCLDF), an AI and analytics specialist, said it is seeing a big increase in demand for their Connected Workers Solutions.

WATCH: mCloud Technologies seeing strong interest in Connected Workers Solution in the world's new normal

A wider sweep of the entire trend is offered by the Direxion Work From Home ETF (NYSEARCA:WFH), which tracks the Solactive Remote Work Index, a 40 stock index of work from home-friendly product and service providers, including remote communications, cyber security, document management and cloud technologies. It's up more than 11% since an impressively quick launch in June.

Another ETF option with a wider focus is SPDR MSCI World Technology (LON:WTEC).

Other managed technology funds also offer a strong tilt towards this theme, with notable examples being Polar Capital Global Technology Trust (LON:PCT), where top 10 holdings include Microsoft, whose Teams collaboration platform has seen a big boost this year, and Amazon; or there is the Allianz Technology Trust (LON:ATT), where the top investments includes Zoom, cybersecurity company CrowdStrike Holdings Inc (NASDAQ:CRWD) and Twilio.

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