



## Why Redknee Solutions Shares Got Bruised

### Description

*Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.*

**What:** Shares of communications software technologist **Redknee Solutions** (TSX: RKN) plunged 12% today after its quarterly results disappointed Bay Street.

**So what:** The stock has soared over the past year on a string of market-topping quarters, but today's Q4 results — loss of \$1 million versus a year-ago profit of \$1.9 million — are triggering serious concerns over slowing demand going forward. While revenue spiked 295%, year-over-year gross margin plunged from 69% to 54%, suggesting that Redknee's competitive edge and, in turn, whopping growth rate are getting more expensive to maintain.

**Now what:** Management remains particularly optimistic about the year ahead. "Customers are responding positively to Redknee and we continue to make excellent progress with our integration strategy," said CEO Lucas Skoczowski. "In 2014, we will continue to emphasize high quality customer service, while we focus on cross-selling and increasing revenue opportunities with our existing customer base and acquiring new customers." More important, with Redknee shares now off about 20% from their 52-week highs, Mr. Market might finally be providing a window to buy into that *long-term* bullishness.

### CATEGORY

1. Investing

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