Better Tech Stock in 2018: TMX Group Limited vs. Kinaxis Inc.

Description

The Canadian tech community was abuzz on January 22 after **Apple Inc.** CEO Tim Cook paid a visit to a downtown Toronto Apple store. Cook was there to promote the importance of learning to code in the modern economy and thanked developers on hand for their contributions to Apple mobile apps.

Apple is well on its way to claiming a $1 trillion market cap, if not in 2018, then in early 2019. But what about Canadian tech companies? Today, we will focus on two that should provide solid growth in the years to come.

TMX Group Limited (TSX:X)

TMX Group operates stock exchanges, including the most well-known Toronto Stock Exchange (TSX) and TSX Venture Exchange (TSXV). It made headlines in late 2017 after it announced it was conducting a review of cannabis stock listings that were potentially in violation of U.S. federal law. The stock has increased 8.3% in 2018 as of close on January 23.

The company released its 2017 third-quarter results on November 9, 2017. Revenue was down 8% to $166.1 million and declined 4%, excluding divested businesses. In December, TMX Group completed the acquisition of London-based Trayport Holdings Ltd., an affiliate of Trayport Inc., on December 14, 2017. The acquisition provides TMX Group the opportunity to expand its European footprint.

Net income jumped 32% year over year to $51.9 million and earnings per share rose 31% to $0.94. There were 38 initial public offerings for Canadian companies on the TSX in 2017, and 2018 is expected to produce even more. TMX Group has also streamlined its corporate structure over the past three years in order to be more flexible and dynamic going forward.

Kinaxis Inc. (TSX:KXS)

Kinaxis stock rose 10.59% on January 23. Shares have climbed 24.1% over a three-month span. Since debuting on the TSX in June 2014, Kinaxis has established itself as a top growth stock, rising over 540% since its IPO. The stock took a hit mid-2017 after adjusting its forecast in the second quarter following the loss of a significant Asia-based client due to a breach of contract.

Kinaxis stock surged on news that it was selected by **Toyota** to manage its automotive demand and supply chain processes. The news is a welcome start to 2018 after the loss of the Asia-based client in the second quarter of 2017. Toyota is the second-largest automobile manufacturer in the world, and Kinaxis will be working to "optimize inventory and enable more flexible responses to customer demand," according to the general manager of Corporate IT at Toyota.

The company is expected to release its fourth-quarter and 2017 full-year results sometime in the next month. In the third quarter, Kinaxis projected annual revenue between $132 and $134 million and adjusted EBITDA to grow to between 27% and 29% of total revenue.

In the linked article above, I explain why Kinaxis was an attractive add for me back in the fall of 2017. Even after its recent spike, I really like the stock going forward. I am buying Kinaxis over TMX Group right now.

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