



## 2 Trends That Could Impact Kinaxis Inc. in 2018 and Beyond

### Description

**Kinaxis Inc.** ([TSX:KXS](#)) is an Ottawa-based company that specializes in providing supply chain solutions to its international client base. The stock dropped 2.83% on May 17 but has posted growth of [over 500%](#) since its initial public offering in June 2014. Kinaxis released its first-quarter results that adopted IFRS 15 and 16 on May 2.

Under IFRS 15/16 Kinaxis posted total revenue of \$36.8 million and gross profit of \$26.7 million, making up 72% of revenues. Adjusted EBITDA was reported at \$12.5 million compared to \$9.2 million prior to IFRS 15/16. Cash from operating activities was reported at the same level – \$10.5 million.

Kinaxis boasts a top-line client list, which includes the new addition of **Toyota Motor Corp.**, as well as **Nissan Motor Co. Ltd.**, **Ford Motor Co.**, and others. In May it was selected by **Volvo** to simplify demand forecasting. Supply chains are evolving rapidly, and this growth makes Kinaxis an exciting own going forward. Let's look at two trends — one positive and one potentially troubling — that could impact the company going forward.

### Massive growth in the supply chain analytics market

The supply chain analytics market has demonstrated impressive growth over the past decade. Some of the factors sparking this evolution include low supply chain visibility, shortening product life cycles, high warehousing costs, and inefficient supplier networks. Companies have sought to deploy supply chain analytics solutions to boost profitability going forward.

Kinaxis has worked on [developing artificial intelligence](#) in order to improve its RapidResponse supply chain platform. The AI is used to identify trends in operations data as well as investing, and would serve to improve the predictive ability of RapidReponse and other tools.

A report from *Future Markets Insights* projects that the supply chain analytics market will post double-digit compound annual growth from 2018-2026. North America and Europe represent the dominant regional markets, making up a market share of over 40% as of 2015.

## Potential disruptions for international supply chains

The spectre of protectionism has many experts and analysts worried about the prospects for global growth heading into the next decade. The ongoing trade spat between the United States and China claimed its first major victim when telecom firm ZTE announced that its operating activities had ceased. This was the result of a seven-year ban imposed by the Trump administration on sales of U.S. components to ZTE in April.

In a surreal tweet, President Trump vowed to work with Chinese President Xi Jinping, stating, "Too many jobs in China lost." After criticism from both Republicans and Democrats, Trump appeared to reverse himself, tweeting, "Nothing has happened with ZTE." Trade talks between the two economic powerhouses have heated up ahead of the deadline for the imposition of U.S. tariffs on Chinese goods worth up to \$150 billion.

These trade disputes have the potential to dramatically disrupt global supply chains. The complex and integrated nature of automotive supply chains has also been a sticking point in heated NAFTA negotiations, which also passed a key deadline on May 17.

## Is Kinaxis Inc. still a buy?

Although Kinaxis has posted an impressive run since its IPO, the stock has been mostly flat year over year. Trading at almost \$12 off all-time highs reached in mid-2017, the company has managed to win back major customers after the loss of a large Asian client last year. The stock is a strong buy for investors on the hunt for a long-term growth play.

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