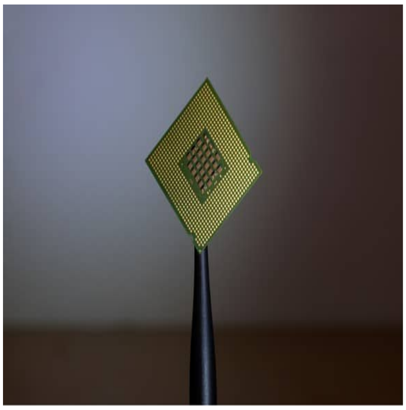

Are Hard Economic Times Approaching? Here Is 1 Solid Canadian Tech Company to Consider

Description

With trade wars heating up, it is time for Canadians to begin looking for companies to buy if things begin to go south and stocks get cheaper. There are a number of wonderful companies in Canada that have solid balance sheets and that operate in high-growth industries. Some of these companies are really expensive at the moment, but if a pullback does happen, it's worth being prepared to pull the trigger on a long-term investment.

Kinaxis Inc. (TSX:KXS) is one Canadian growth company that might be worth adding if the market pulls back. The company is involved in cloud-based supply chain operations and sales optimization. It provides services to customers in numerous industries, such as aerospace, life sciences, and automotive companies. And while 85% of its revenues are currently generated from North America, Kinaxis is expanding its operations internationally, especially in Asia.

The company focuses on providing management solutions for companies with complex, often international supply chains. It has numerous blue-chip clients, such as **Honeywell International Inc.**, **Advanced Micro Devices Inc.**, and **Cisco Systems Inc.** The subscription model Kinaxis employs produces significant recurring revenue, and the company also has an active sales force driving 65% of subscription growth from new business.

Kinaxis is not a cheap stock, but its solid operational performance warrants a closer look. Kinaxis has grown its revenues at a compound annual growth rate of 25%. Profit was up 41% for the year, and basic earnings per share were up 38%, indicating strong financial growth. Another attractive aspect of the company is its balance sheet. It has virtually no debt and more cash than the entirety of its liabilities.

Unfortunately, Kinaxis lacks a dividend, which may cause some investors who crave income from their stocks to avoid investing in the company. While I generally like owning dividend-paying stocks, the lack of a dividend alone is not a reason to dismiss a stock entirely. Companies that do not possess dividends can employ the capital to grow the business through organic or acquisitive initiatives. So far, Kinaxis has been an effective allocator of its cash.

Probably the biggest risk to the company is that Kinaxis has customers that account for large portions of its revenues. It has 42% of its total revenue coming from 10 companies, with one customer accounting for a full 10% of its business. The long-term nature of its subscriptions, with each agreement being paid annually in advance and with a duration of two to five years, provides a degree of stability and visibility to mitigate uncertainty should a large customer decide to no longer use its service.

If you are worried about economic uncertainty, Kinaxis would be a good stock to keep in mind as a stock to buy if it were to pull back with the market. With its high-growth software and cloud-based business, it could be more resistant to the negative impact of tariffs. While it does not have a dividend, the company's solid balance sheet makes it both more attractive as an investment and more resilient if hard times begin to hit the Canadian or the world economy.

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