Act Quickly: Kinaxis Inc. (TSX:KXS) Stock Is a Steal Right Now

Description

Kinaxis (TSX:KXS) stock fell another 3.58% on November 14. Shares were down 23.4% month-over-month as of this writing. The plunge over the past month has pushed the stock into negative territory for 2018. This drop was sparked by an adjusted outlook in its third-quarter results. Investors on the hunt for growth should be looking to Kinaxis as an enticing long-term buy.

Back in May I'd discussed several reasons why Kinaxis was an attractive target and well positioned for growth into the next decade. Kinaxis stock reached an all-time high of $100.68 in mid-August, but has since succumbed to broader volatility and a disappointing Q3 report.

First, let's take a quick snapshot at **Kinaxis' Relative Strength Index (RSI)**. RSI is a technical indicator intended to chart the current and historical strength or weakness of a stock or market index. An RSI below 30 is considered low and is an oft-covered indicator for stocks that are considered oversold.

Kinaxis' RSI fell below the $30 mark late last week and was at 22 as of close on November 14. At a glance, Kinaxis looks oversold.

Kinaxis released its third-quarter results on November 8. Prior to IFRS 15 and 16 standards, the company reported total revenue of $39.6 million, which represented an 18% increase from the prior year. The company said that its full-year subscription growth was lower-than-expected due to late stage deals slipping outside of the quarter.

Kinaxis established its confidence in closing these deals and reiterated its growth trajectory into 2019. Gross profit and adjusted EBITDA increased 16% and 14%, respectively, from the prior year.

The company provided updated financial guidance for the full-year 2018 under IFRS 15/16. It projects total revenue between $152 million and $153 million, and adjusted EBITDA margin of between 25-28% of revenue.

Investors do not have to look far back to see an example of a buy-low opportunity at Kinaxis last year. In its 2017 second quarter earnings report, Kinaxis announced the loss of a major Asia-based customer and was forced to adjust its full-year guidance. This forced shares down from near all-time highs to below the $70 mark. The stock did not fully recover to previous highs until June of this year.

Kinaxis also managed to win several huge contracts in the next quarters, including **Toyota Motor Corp.** , the second-largest automotive manufacturer in the world.

Turbulence in the broader market has resulted in significant losses to major tech stocks, and the broader retreat may have also contributed to Kinaxis' steep drop post earnings. Investors may have to wait out volatility for the remainder of 2018, especially with one more U.S. interest rate hike on the horizon in December.

Investors looking for long-term growth options should consider adding Kinaxis on its current slide. Shares are nearing prices not seen since early 2017 and late 2016. Kinaxis remains one of the most promising tech companies listed on the TSX and is well-positioned to get back on track in Q4 2018 and in the next fiscal year.

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