2 Long-Term AI Stocks for TFSA Investors

Description

As an investor, there are two things I look for when starting a TFSA: long-term profits and the next big thing. Investors put their money into blue-chip stocks like Canada's Big Five banks but also hope to find something that promises huge growth in the near future.

In the last two years, it was the marijuana industry after Canada's Liberal government announced they would be legalizing marijuana in 2018. But another strong candidate for an even bigger market is Artificial Intelligence (AI). While marijuana had a set date that it would be implemented, AI has snuck up on investors, but the promise of huge growth is still there.

With that in mind, here are two Canadian AI stocks you should consider adding to your portfolio and forgetting for a few years while the industry expands.

Kinaxis

Kinaxis (TSX:KXS) is a supply-chain management and sales-operation-planning software company that has invested in AI to improve its predictive capabilities. The tech company has seen incredible growth since its initial public offering in 2014, gaining over 400% for investors that were in at ground level. August saw an incredible all-time high of $100.68!

But in the past few months, the stock has sunk and then flatlined, despite strong quarterly results. I guess they weren't strong enough for investors, as the company's stock dropped almost 17% in one day after quarterly results were released on Nov. 9.

Despite falling short of expectations, the stock has performed well. Kinaxis projects total revenue between $152 million and $153 million and has an earnings before interest, tax, depreciation, and amortization (EBITDA) margin between 25% and 28% of revenue.

Even more exciting are the contracts the company has signed over the last few quarters, including one with **Toyota**. The world's second-largest automotive manufacturer signed on Kinaxis to manage its automotive demand and supply-chain processes.

Despite all this great news, shares are well below a fair target range of $75-81, according to analysts. Shares are selling at around $66 at the time of writing this article, giving investors a discount of up to 27%!

Horizons

Investors who are a bit more impatient may want to consider adding **Horizons S&P/TSX 60 ETF** (TSX:HXT) to their portfolio. The exchange-traded fund (ETF) is Canada's first AI-enabled ETF known as MIND. It reacts to the TSX's top 60 stocks using an algorithm that constantly learns and analyzes, choosing stocks based on data, not emotion.

The stock is a great way for investors to have access to the top performers in the Canadian market without the price tag of the S&P/TSX. The stock also has two other bonuses to offer:

- While it doesn't offer a dividend, if a company in the ETF does, those funds are reinvested for shareholders to benefit from.
- The management fee is almost zero at 0.03% and will remain that way until at least September 2019.

Bottom line

If you're looking to invest in AI, I would strongly recommend considering both of these stocks in your portfolio. But if you can only pick one, it depends on what you're hoping for in the future. If you're looking for huge gains over a long period of time, I would go with Kinaxis. It's super cheap right now and is making some moves that could send the stock soaring in the next few years.

But if you're looking for some strong growth in the short term, Horizons would be the way to go. The stock has managed to grow throughout this volatile market, and investors should feel comfort knowing stocks are being chosen based on data, not gut.

CATEGORY

1. Investing
2. Tech Stocks

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1. Editor's Choice

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2. TSX:KXS (Kinaxis Inc.)

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