



Strong Buy Alert: This Fast-Growing Tech Stock Could Have a Heck of a Year

Description

Fast-growing tech stocks are hard to analyze with their cloudy long-term business models, their frothy valuations, and services that are difficult, even for some industry experts, to fully understand. As for small-cap tech stocks, it's perplexing for most investors to determine an intrinsic value with any level of precision.

It's not a mystery why Warren Buffett has shied away (until recently) from high-tech names, missing the boat on many millionaire-makers in the process. Buffett didn't understand some of the higher-flying tech names, and although he regrets not being in some of today's tech darlings on the ground floor, he has since embraced tech, using his value investor toolset to assist him.

While faster-growing tech stocks render traditional valuation techniques less useful, I believe investors can perform well with up-and-coming mid-cap tech stocks, assuming they've put in the hours, burning through the midnight oil to form a sound long-term investment thesis.

Consider [Kinaxis \(TSX:KXS\)](#), one of Canada's faster-growing tech plays.

The company provides software solutions in supply chain management, sales, and operation planning. Seems simple enough, right? Not so fast. Unless you've worked in logistics, the company's brief description does no justice for the company actually has to value for its clients. RapidResponse, the company's flagship product, can iron out the complicated wrinkles within the supply chain in a quick fashion, allowing firms to save not only time but money.

While it's difficult to truly understand the specifics of what Kinaxis is trying to solve for its clients, the most remarkable part of the Kinaxis story is the [impressive sales](#) and profitability numbers that the company has commanded in the early stages of its growth cycle.

Many other companies growing at a similar rate as Kinaxis are postponing concerns over profitability and free cash flow to the future. It's all about sales growth in the early stages for most other up-and-coming tech stars after all.

Given the rave reviews and the impressive list of clientele that have jumped on the Kinaxis

bandwagon, it's clear that Kinaxis has a solution to untangle the complicated mess that can be found in most complex supply chains. And it's the huge value of the services behind Kinaxis's products that allows the company to grow profitably. High, profitable growth is hard to come by, and, in my books, that deserves a massive premium.

Foolish takeaway on Kinaxis

Sure, the 49.3 forward P/E, and 10.9 P/S multiple is alarmingly expensive and unattractive for value-oriented investors. When you look under the hood, however, the 23.92% and 29.6% in sales and operating income CAGR posted over the past three years, makes the stock's high (and abstract) valuation more palpable.

Over the next year, I expect prospective client concerns to subside as the stock gets back on its trajectory.

Stay hungry. Stay Foolish.

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Author

joefrenette

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