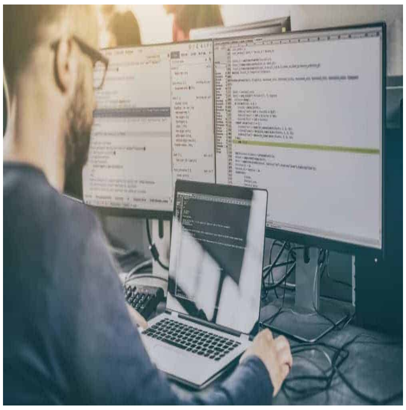

Below $70, This Tech Stock Is a Bargain

Description

Have you ever noticed that companies and analysts aren't always on the same page?

Consider Ottawa's **Kinaxis** (TSX:KXS), a provider of cloud-based software-as-a-service (SaaS) logistics and supply chain solutions for international companies, like **Toyota**, that rely on products like Rapid Response, to ensure it has the right inventory in the right part of the world.

Kinaxis's excellent product has allowed it to continue to grow at a nice pace. Unfortunately, as expectations rise, any bump in the road is going to throw investors into a tailspin.

In Kinaxis's fourth-quarter results released February 28, it grew revenues by 11.3% to US$38.3 million. On the bottom line, it had an adjusted profit of US$5.8 million in the fourth quarter, 25.2% less than a year earlier. On an adjusted EBITDA basis, it made US$8.7 million — 22.3% lower than a year earlier.

Analysts were expecting Q4 2018 revenue of US$40 million with adjusted EBITDA profits of US$9.5 million.

So, were investors reacting to the double miss — US$1.7 million on the top line and US$800,000 on the bottom (adjusted EBITDA) — or the 25% drop in profits from a year earlier?

That's hard to say.

Management seemed okay

CEO John Sicard seemed to be happy with the year Kinaxis delivered in 2018.

"We continued to deliver high revenue growth and strong profitability in 2018, reflecting the sustained strength of our business. Throughout the year, we executed on a number of strategic investments, including the expansion of our global sales team and key product innovations. These investments helped drive our strong financial performance and will position Kinaxis for continued growth in 2019 and beyond," Sicard said in the company's Q4 2018 press release.

For the entire 12 months of fiscal 2018, Kinaxis had revenue of US$150.7 million, 16% higher than fiscal 2017. On the bottom line, it had adjusted EBITDA of US$41.7 million, 2% higher than in fiscal 2017.

Looked at in the entirety and not just one quarter, Kinaxis's year does seem to be a lot more positive than the Q4 2018 numbers suggest.

In 2019, Kinaxis expects revenue to be at least US$183 million with adjusted EBITDA of at least US$42 million, both higher than this past year.

Again, Kinaxis is trying to build a sustainable business model, which means that both top- and bottom-line growth aren't the prime goal at the moment. Instead, Sicard and company are trying to build a cloud-based platform that customers can't live without. If it's able to deliver that kind of customer loyalty, future revenues and profits won't be a problem.

In the meantime

Fool contributor Vishesh Raisinghani commented in January that the company is focusing most of its near-term capital expenditures on artificial intelligence research and development — the thought being that if Kinaxis can deliver logistics and supply chain software that can think on the fly, it would strengthen the company's position within this area of the software industry, making growth and even more significant factor in the years ahead.

I first recommended Kinaxis stock for Fool readers in July 2016.

I liked it because it was growing on both the top and bottom line, had no debt, and was providing software that solved a big problem. Thirty-one months later, KXS stock is up a respectable 47% in that time.

However, since hitting an all-time high of $100.68 in August 2018, Kinaxis stock has given back 25% of those gains — a sign that investors see the good times slowing. If you go by the company's fourth-quarter results, you're likely to believe this is the case.

If, however, you see the bigger picture, you'll realize that Kinaxis is merely reloading for future growth.

Trading around $76 as I write this, anywhere under $70 is a bargain.

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