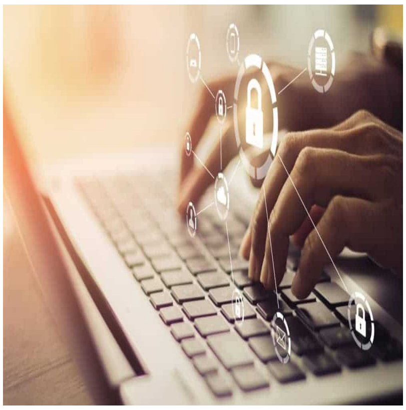

Could This TSX Tech Stock Be the Next SAP? (NYSE:SAP)

Description

SAP (NYSE:SAP) is an enterprise software juggernaut. With a $130 billion market cap, $7.4 billion in revenue, and nearly $2 billion in profits in its most recent quarter, it may be the biggest software company that's not named **Oracle** or **Microsoft**.

For years, it's been a given that large organizations run their logistics on SAP software. But recently, a Canadian software company has been making waves in the enterprise logistics space and increasing its market share. It's a company that has a long history but has recently been hitting new profit records. With several Fortune 500 companies as clients, this company is rapidly becoming one of the biggest players in supply chain management. And so far this year, it's up nearly 20%

Kinaxis (TSX:KXS)

Kinaxis is one of Canada's largest and most influential software companies. Founded 35 years ago, it's a leading player in the supply chain management space. Recently, the company has been making headlines for its advances in AI. However, its most significant contribution to the tech world may not be AI features, but a platform that extends one of SAP's core offerings, taking it to a whole new level.

How Kinaxis RapidResponse Extends SAP ERPs

Kinaxis RapidResponse is a software offering that integrates seamlessly with SAP's ERPs. With RapidResponse, users can upload all their SAP data to a single cloud platform. From there, the user can do operations on their data, like balancing supply and demand, responding to changes, and improving planning processes. These are all things that customers can do with SAP already. However, Kinaxis expands on the functionality by automating these processes with AI, so they can be done faster.

Why it matters

Although Kinaxis's RapidResponse software complements SAP's software, the two companies can be considered competitors. For one thing, the research advisory firm Gartner lists them as competitors, with a 58% overlap in their service areas. For another, despite the SAP ERP integration, Kinaxis's products do not *require* SAP to operate, and some of the standalone features compete with SAP software features. This means that Kinaxis and SAP are competing for at least some of the same customers in the same spaces.

Foolish takeaway

Currently, SAP is about 46 times as big as Kinaxis by annual revenue. That's a big difference, perhaps indicating that Kinaxis won't be overtaking the enterprise software juggernaut any time soon. But with many Fortune 500 companies as clients and record revenue in 2018, Kinaxis is a growing company that's making waves in its niche.

Kinaxis's enterprise software offerings are already powering $150 million in annual sales, while its subscription revenues are growing by 21% year over year. Over the past five years, Kinaxis stock is up 440%. Whether or not the company is destined to become the next SAP, the fact remains that that's a phenomenal return for a 35-year-old company. It's not clear that Kinaxis can keep up growth like this in the future, but it remains one of the top TSX tech stocks to watch.

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