



This Under-the-Radar TSX Tech Stock Is Developing Next-Gen Artificial Intelligence

Description

For tech companies, AI is the new gold rush. With AI startups having hit a record of \$9 billion in funding in 2018, the amount of money being poured into this tech trend is unprecedented. And it's not just venture money that's being spent on it, either. Virtually all of the Silicon Valley giants are spending big on AI, with **Alphabet** having spent over \$3.6 billion on AI acquisitions since 2006. The results of Silicon Valley's AI investments are already starting to show, with self-driving cars, automated content moderation, and email "smart replies" being just a few of them.

Just as companies that got in on the internet revolution early reaped the benefits of their investments, so too will early adopters of AI. And there is one TSX-listed company that's positioned to do just that.

Kinaxis ([TSX:KXS](#))

Kinaxis is a TSX tech company that develops [supply-chain management software](#). Using Kinaxis's RapidResponse platform, businesses can plan, monitor, and interact with their supply chain. Demand for this type of software is massive. Supply chains are among the biggest contributors to corporate prosperity, being credited with some of **Apple's** success in the 2000s. Cloud-based software that lets companies manage their supply chains remotely is therefore a must-have for businesses that want to enjoy a competitive edge.

What the company does

Kinaxis makes money by charging subscription fees for its cloud-based software. The company's clients are mainly medium- to large-sized businesses with complex supply chains. Kinaxis's subscription revenue from its cloud software is doing very well. In the company's most recent quarter, subscription revenue grew at 18%, while overall revenue grew by 15%. Unfortunately, profits declined 46% in that same quarter, but the main cause of the decline was increased investment in global expansion. Should the investments pay off, the short-term earnings decline will have been worth it.

How AI can change the game

Kinaxis is currently operating in a space with dozens of competing firms, including the enterprise behemoth **SAP**. Every company in this space has some degree of differentiation, but standing out in such a competitive market is a challenge.

Kinaxis's AI investments may go a long way in helping it stand out in the supply chain software market. Reportedly, the main focus of Kinaxis's AI investments is on developing algorithms that can [predict trends in supply chain data](#) without the need for human involvement. The benefits of such technology include reduced need for human involvement in the supply chain (and the associated cost savings) as well as more accurate insights. With patent protection, such technology could be very lucrative for Kinaxis and its clients.

Foolish takeaway

Kinaxis is already one of the top TSX tech stocks. With strong revenue growth, a huge global customer base, and innovative solutions, it's a grown-up tech company in every sense of the word. Continuing the way it's already going, this stock could be a good investment. But the right AI solutions could really take Kinaxis to the next level.

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