This High-Risk A.I. Stock Has Amazing Return Potential

Description

Kinaxis Inc. (TSX:KXS) is on a roll, making stock investors rethink their investment options. The stock is on the heels of an explosion that almost materialized in 2018. Kinaxis almost hit $100.00 in mid-August, closing at a high of $99.70. This time around, that elusive level might be breached sooner than later.

It might be good for investors to end the first quarter by including this A.I. stock in their portfolios. The shares of this established supply chain management company dropped sharply towards late 2018, but have rejuvenated at the start of 2019. Barring any major market disruptions, the stock is destined for robust growth.

5 key industrial verticals

Kinaxis is slowly but surely earning the trust of industry-leading companies across key industrial verticals. Rapid Response, the company's platform for integrated supply chain planning, visibility, and response is proving to be valuable across multiple industry verticals.

The $2.0 billion Ottawa-based company has established deep relationships and strong links with clients in five important industries namely aerospace and defense, automotive, high-tech and electronics, industrial, and life sciences.

Kinaxis became a high-growth company because of its "land and expand" strategy. The company will first land a client then work on increasing the contract value. Business growth is guaranteed once the client becomes accustomed to the services and become devoted customers.

This top A.I. company excels in automation, digitization and make-to-order software configurations, which is why the services bolt perfectly well with the five industrial verticals that are constantly beset with strains in supply chain management.

The company parted ways with Samsung in 2017, which had an impact on the revenue growth rate. Nonetheless, some big names are being added to the growing clientele. Ford, Unilever, Nissan Motor, Casio, and Dyson are among the prominent names. Lenovo has just been added this month.

Latest financials

Not too many investors are entranced by Canadian tech companies. The success story of Kinaxis is what differentiates the stock from its industry peers. Kinaxis top line is 2018 grew 13.05%, but bottom line dropped by 28.96%. Despite this, the enterprise software market offers massive organic growth.

Keep in mind that the company grew at a pace that would make a profit. There were hiccups last year, but a major rally is certainly in the works. The company is hoping to grow the top line by 25% growth in tandem with growing margins.

Nothing is definite, but Kinaxis might be a good acquisition target as well. However, because of the growth potential, it might be richly valued like its supply chain management software. Business is strong now, and will surely catch fire as more giant companies embrace A.I. and other emerging technologies.

To buy or not to buy

As far as the buying the stock, some view KXS as a high-risk stock. The loss of a major client caused a sharp drop. That is a weakness, although others see a buying opportunity whenever a correction happens. It was during the second quarter last year when the stock started to climb, and we see the same pattern today.

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