



## TFSA Investors: Snatch This Tech Stock in April

### Description

**Kinaxis** ([TSX:KXS](#)) is an Ottawa-based provider of software solutions for sales and operations planning (S&OP) and supply chain management. Kinaxis stock was up 18% in 2019 as of close on April 10. Last month I discussed why Kinaxis was one of my picks to [beat the TSX Index](#) over the next decade.

Kinaxis released its fourth-quarter and full-year results for 2018 on February 28. Prior to the effects of the IFRS 15 and 16 Kinaxis revenue increased 15% year-over-year in Q4 2018 to \$39.5 million. In 2018 the company scored big wins in Europe, as it won partnerships with Novartis, Unilever, and Dyson.

Product innovation continues to be a huge focus at Kinaxis. In March I'd discussed Kinaxis being a good example of a Canadian company pushing forward with artificial intelligence technology development. In Kinaxis' case, the company has [aimed to use AI technology](#) to detect trends in operational data. Its application of AI technology could be crucial in improving its supply chain software. This will include the use of capabilities like demand sensing, a forecasting method that strives to create an accurate forecast of demand using near real-time information and new mathematical techniques.

Canada has emerged as a global leader in AI technology development. The federal government announced \$230 million in funding for an "AI-Powered Supply Chains Supercluster" in December 2018. When it was announced, the Supply Chain Management Association (SCMA) estimated that the move had already generated \$420 million worth of private sector new investment potential. It predicted that the move would bolster Canada's leadership in this vital and growing sector.

In 2019, Kinaxis will present SaaS revenue separately in order to "better show revenue growth" going forward. Kinaxis forecasts total revenue between \$183 million and \$188 million in 2019 compared to \$150.7 million in 2018 Actual, which includes a projection of 22-24% SaaS growth. It forecasts that its adjusted EBITDA margin will shrink to between 23% and 25% compared to 28% in 2018.

Kinaxis stock is currently trading at the low-to-mid end of its 52-week range. Shares had an RSI of 48

as of close on April 10, putting the stock in neutral territory in mid-April. Kinaxis is a stock to be excited about as we look ahead to the next decade, but there were some disappointments in 2018. The company has forecast a big boost in revenue for 2019, which is the reason for all the excitement from prospective buyers.

Investors should always look to areas of strength when determining whether a stock is worth a buy, and Canada has emerged as a leader in this specialized area. Kinaxis has pushed to expand its global operations, and its top end, RapidResponse product will continue to generate interest from major private sector entities for years to come. The stock is a nice buy priced below the \$80 mark in the early spring.

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aocallaghan

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