Top 2 AI Stocks on the TSX to Add to Your TFSA

Description

As this decade winds down, it is a good idea for investors to reflect on what kind of trends will make for successful investments in the 2020s. Back in the spring, I'd discussed the rise of artificial intelligence (AI) and explained why this is an industry you will want to get in on early.

A 2019 market report by Lucintel recently projected that the global AI market would reach $71 billion by 2024. This would represent a CAGR of 26% from 2019 to 2024. Another report published on MarketsandMarkets forecasts that the AI market will be worth a whopping $190.6 billion by 2025, achieving a CAGR of 36.6% from 2018 to 2025.

The projection gap here may come as a shock, but there are dozens of industries that are betting on AI development. It will be useful in sectors like healthcare, security, retail, manufacturing, automotive, financial technology, and defence. This means that investors will have a lot of options with more and more industries investing in AI. It also makes it hard to put a cap on its true potential.

Today, I want to cover two equities that have dipped into AI research. Its development will play a key role in determining the growth trajectory of both as we move into the next decade. These are the kind of stocks I want in my TFSA in the 2020s.

Kinaxis

This is not the first time I have covered **Kinaxis** (TSX:KXS). The Ottawa-based technology company launched its initial public offering (IPO) back in 2014. Earlier in July, I'd explained why, in my view, Kinaxis is one of the most underrated new listings on the TSX. Kinaxis has seen its stock climb by more than six times its IPO price.

The company has investment in AI and machine learning to bolster its revolutionary supply chain and operations planning software. In the spring of 2018, Kinaxis introduced the self-healing supply chain powered by machine learning, which can automatically detect and correct discrepancies. This month, Kinaxis formed an alliance with Infosys, where it hopes to benefit from the latter's experience in the supply chain space.

Kinaxis is set to release its second-quarter 2019 results on August 2. The stock has gathered momentum ahead of the earnings release. I really like Kinaxis as a buy-and-hold candidate ahead of 2020.

BlackBerry

BlackBerry (TSX:BB)(NYSE:BB) has been a volatile hold over the past five years. The leadership of CEO John Chen has allowed BlackBerry to smoothly transition into software from its original focus on hardware. There is a lot to like at BlackBerry, as it has established lucrative footprints in fast-growing markets like cyber security and automated vehicle software.

The company made a big bet on the former in late 2018 after it announced its $1.4 billion acquisition of Cylance, a California-based company that specializes in AI and machine learning. Cylance brings it machine learning prowess, which is used to prevent security breaches before they occur. In its FY 2020 first-quarter report, BlackBerry announced that the integration of Cylance was ahead of schedule. It contributed $51 million in revenue in the quarter.

The post-earnings sell-off at BlackBerry was overdone, and the stock still looks discounted as of close on July 24. Shares had an RSI of 44 at the time of this writing. It has climbed out of technically oversold territory, but I still like the stock priced below the $10 mark.

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