2 Canadian Cloud Stocks to Double Your $6K TFSA Contribution

Description

Cloud stocks have arguably been the hottest tech plays over the last few years. They've cooled down of late, though, as appetite for growth stocks has subsided amid falling rates, which brings up natural questions: Are such cloud stocks buys on weakness? Or has the momentum dried up for good?

I think the cloud plays are taking a temporary breather and while the growth-to-value rotation could continue into year-end, I think it makes sense to get some skin in the game today if you've yet to do so with your TFSA.

Without further ado, consider picking up one of the following two Canadian cloud stocks that could take off after a bit of consolidation.

Kinaxis

After years of being an outperformer, **Kinaxis** (TSX:KXS), a developer of supply chain planning software, stock has finally ground to a halt. The stock is down 16% from its all-time high and is sitting at a 2017 low. With no dividend to reward investors, those who have held the stock over the past two years have nothing to show for it.

Clearly, earnings have needed to catch up to the premium valuation, but after two years of fluctuations, the stock still trades at a hefty 47.2 times next year's expected earnings with an equally frothy 10.4 times sales multiple and a 43.9 EV/EBITDA. Do these valuations justify the nearly 20% in annualized sales growth posted over the last three years?

I think so. Kinaxis merely got caught offside with delayed deal closures, and, in the latest quarter (Q2 2019), the stock got unfairly punished, as it appeared many traders were looking for management to raise its full-year guidance, which didn't happen, despite some encouraging Q2 results that saw Kinaxis finally close some delayed deals, as expected.

Kinaxis remains a SaaS kingpin with a competitive product in the supply chain space. It's the same business as it was when it was at all-time highs; the only difference is, it hit a few bumps in the road, and the appetite for growth stocks as a whole has faded. I'd treat that as nothing more than an opportunity to scoop up Kinaxis before its next leg up.

Lightspeed POS

Lightspeed POS (TSX:LSPD) has been making a tonne of noise since hitting the TSX Index earlier this year. Lightspeed's cloud-based point-of-sale (POS) solution provides small- to medium-sized retailers with the easy-to-use technology to keep up with those pesky tech-leveraging disruptors like **Amazon.com** that has been wreaking havoc on small-, medium-, and even behemoth-sized businesses.

In a way, Lightspeed aims to level the playing field for its less-tech-savvy, prospective clients.

In a prior piece, I'd highlighted how data analytics was the bread and butter of Lightspeed's platform: "Data analytics is a big deal, and since data is arguably the most precious resource for businesses, Lightspeed's product provides a set of invaluable services that essentially pay for themselves."

Lightspeed is an e-commerce play, a big data play, and cloud play all in one. The company has a growing list of impressive clientele, and as its suite of solutions grows, I suspect retailers will continue flocking towards the up-and-coming omnichannel e-commerce enabler.

The company holds tremendous promise, but the stock is absurdly expensive with shares trading at nearly 24 times sales and 10.5 times book. I see Lightspeed continuing to post +35% in annualized sales growth over the medium term, though, so the stock may very well be a bargain if management can continue innovating and keeping competition at bay.

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