



## This Tech Stock Is Lighting Up the TSX

### Description

The technology sector in Canada accounts for only 3.9% of the **TSX Index**. Likewise, the number of stocks is far less when you compare it with the same sector in the U.S. Over the past five and years, the **TSX Technology Index** has been outperforming the TSX.

On an equal-weighted position in each of the top TSX tech stocks, the group would have given you a total return of about 290% over the past three years. One tech stock, however, is lighting up the TSX.

**Kinaxis** ([TSX:KXS](#)) is not as expensive as the top tech stock today, but the company is growing quickly. Because the software firm has great potentials, it's worth considering. The stock could be the tech sector's next crown jewel.

### Solid performance

So far this year, the gains of Kinaxis are 29.22% and the stock is still surging. Analysts who are closely monitoring this tech wonder is the \$85.16 price will hit \$100 in the coming months.

They contend that as the earnings of this \$2.23 billion escalate, the long-term price gains could be off the charts. You won't need [dividends](#) too.

Kinaxis is gaining prominence because the company is successfully diversifying its service revenue originations. Despite the general weakness of the tech sector recently, the projection for Kinaxis is a high CAGR of 19% in the next five years. The company is far from the maturing so you can expect nothing short of a [turbo growth](#).

### SaaS to solve chain bottlenecks

RapidResponse is the pioneering cloud-based subscription software and software-as-a-service (SaaS) solution of Kinaxis for supply chain operations. This revolutionary software enables companies across various industries to unclog the bottlenecks in supply chain operations.

Aside from improving processes and simplifying complex problems associated with supply chain management, RapidResponse accelerates analysis to render faster decision-making.

## Global enterprise

Kinaxis' is now a global enterprise with its operations extending from Canada to as far as Europe and Asia. Its geographical diversification significantly reduces the risk should economic conditions affect a single market.

The business of Kinaxis is highly profitable and could further magnify with new clients coming on board. Renowned carmakers Toyota and Volvo are the new sign-ups in the automotive industry that already includes Ford and Nissan.

What's innovative about RapidResponse is its industry-specific functionality. Other companies operating in sectors such as aerospace and defence, consumer products, industrial, life sciences, and high-tech and electronics, among others are using it. The software aims for the complete elimination of the volatility in the supply chain.

## Incredible growth potential

In 2019, Kinaxis expects to surpass the 13.1% total revenue growth last year, but earnings growth in 2020 and 2021 could hasten to 24% on the average. Although the bulk of earnings are in North America (70%), growth will come from the markets outside the region.

Kinaxis has an excellent balance sheet with no debt. The company generates more cash than it actually needs. With the excess cash flow, it could remain in expansion mode and reinvest in the business.

You don't have to go to the U.S. market to invest in a tech stock. Kinaxis is an excellent buy on the TSX. The price is relatively lower, but the growth potential is incredible.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. TSX:KXS (Kinaxis Inc.)

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**Date**

2025/07/27

**Date Created**

2019/10/21

**Author**

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