Canadians: This Artificial Intelligence Stock Needs to Be in Your Portfolio!

Description

We are nearing the end of this decade, and investors need to gear up for the sectors that will dominate the 2020s. Artificial intelligence (AI) has attracted attention from a variety of circles. AI skeptics like Elon Musk have struck a cautionary tone, while **Facebook** founder Mark Zuckerberg is far more optimistic. There is one thing we can guarantee: companies will continue to throw huge investments, as AI tech promises to be a big money maker going forward.

The rise of supply chain management software

Canada's stock market has been maligned for being financial, energy, and material heavy, while its technology sector is tiny in comparison to its U.S. counterparts. However, Canada has emerged as a leader in one area over this past decade: supply chain management software. This is the software tools or modules that are used in executing supply chain transactions, managing supplier relationships, and controlling associated business processes.

In a globalized world, there is increased demand for software that can improve supply chain management and operations planning. The market research firm Allied Market Research recently released a report that forecasts that the global supply chain management software market will reach $24.5 billion by 2025. It projects that this market will achieve a CAGR of 9.7% from 2018 to 2025. **Gartner** reported last year that the supply chain management software market grew by 12.5% to $14 billion in 2018.

The AI connection

In a 2017 supply chain conference, Gartner analyst Noha Tohamy broke AI down into two categories: augmentation and automation. Augmentation AI helps humans with day-to-day tasks such as data analysis and software solutions. Automation involves AI that can operate autonomously in any field without human intervention.

Machine learning applied within supply chain planning can help with forecasting within inventory. It has

the potential to significantly improve the agility and optimization of supply chain decision making. The development of machine learning could allow supply chain software to give best possible scenarios based on machine-to-machine analysis of big data sets; it will also be based on intelligent algorithms.

Kinaxis is the stock to target

Kinaxis ([TSX:KXS](#)) is an Ottawa-based supply chain management and operations planning software company. The RapidResponse is its cloud-based integrated supply chain planning platform. It launched its [initial public offering back in June 2014](#). Shares have achieved average annual returns of 41% over the past five years.

Earlier this year, I'd discussed why Kinaxis is a [great stock](#) to pursue for investors looking for exposure to AI development. Polly Mitchell-Guthrie, Kinaxis VP of Industry Outreach and Thought Leadership recently wrote that the effects of AI and machine learning are likely being underestimated at this stage. She explained how RapidResponse already uses machine learning to "predict things like lead times and yields, automation to allow the planner to focus on the exceptions, feature engineering to figure out which factors are important, and to enrich the forecasts with an extended feature set."

In the third quarter of 2019, Kinaxis reported total revenue of $47.1 million. This was up 29% from the prior year, as SaaS revenue posted 28% growth. Adjusted EBITDA also climbed 29% to $12.1 million, or 26% of revenue. Kinaxis had some big customer wins in the second quarter, including British American Tobacco, **Honda**, Yamaha Motors, and **Teva Pharmaceuticals**. It adds to its already impressive stable of companies like **Toyota Motors** and Volvo.

Kinaxis surged after its third-quarter earnings release and is now hovering around a 52-week high. It is trading at a premium in November, but I still love the stock as a long-term play.

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