A Tech Stock Poised to Take Off!

### Description

Sometimes white-hot stocks that have run far and fast need to take a breather.

Now, such a diminishment of momentum doesn't necessarily mean that the company behind the stock is undergoing a transition from growth darling to stalwart. Share price corrections, disappointing results, and operational hiccups are bound to happen eventually, even to the best businesses in the world.



If the cause of dips are issues that are shorter-term in nature, it's a good time to be a buyer, because odds are the short-term momentum chasers have likely already been squeezed out of a name that may still be in the early innings of its growth story.

## Kinaxis

Consider shares of **Kinaxis** (TSX:KXS), a developer of supply chain and operation planning software, which is finally breaking out after enduring a tough few years that included two separate plunges, of 30% and 40%. Earnings needed a chance to catch up to the stock's sky-high valuation, and delayed deal closures caused short-term thinkers to ditch the stock despite the high likelihood that the deals would eventually be closed.

In a prior piece, dated September 24, 2019, I urged investors to back up the truck on Kinaxis stock to buy on the dip, noting that the company had been unfairly punished primarily for getting "caught offside with delayed deal closures."

The way I saw it, Kinaxis still had a competitive product in a niche market that was ripe for the taking. And the pending deal closures would only pave the way for an upside correction at some point down the road.

As it turns out, this is exactly what happened. Kinaxis proceeded to rise over 30% in a few months as the company won over plenty of clients while posting accelerating growth as a SaaS (software as a service) provider.

With fourth-quarter earnings on tap in early March, I’d once more urge investors to pick up the stock before it has an opportunity to spike again. There are encouraging catalysts up ahead that could lead to another round of applause-worthy results.

For Q3, Kinaxis posted impressive backlog growth of nearly $18 million, boding well for continued acceleration in service revenues for the fourth quarter. For Q4, management is expecting a surge of renewals while the company continues its pursuit of big-league multinational clients.

## A tech deal

Compared to most other hyper-growth SaaS stocks, Kinaxis isn’t that expensive.

At the time of writing, the stock trades at 13.1 times sales and 10.3 times book, a low price to pay given the high double-digit revenue growth potential and the encouraging catalysts (a large cohort of clients expected to renew) going into the March quarter.



The stock may be at all-time highs, but with many years of prior share price consolidation, I do see shares running far higher over the coming year as headwinds subside while the demand for its value-adding technologies continues to climb.

The supply chain is a complicated beast and Kinaxis has the technology to tame it. As more companies seek to automate those dull complex operational tasks, I find it hard to believe that Kinaxis will be held down any longer.

Stay hungry. Stay Foolish.

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