These 2 TSX Stocks Gained Over 12.5% Yesterday!

Description

While most Canadian stocks were trading in the red yesterday, two companies gained considerable value on February 26, 2020. Shares of **Indigo Books & Music** (TSX:IDG) and **Kinaxis** (TSX:KXS) returned 20.2% and 12.5%, respectively, yesterday.

So, what drove share prices higher?

Indigo Books & Music

While there was no relevant news circulating about IDG, which resulted in the massive upside, there is a very good chance shares rebounded after trading at multi-year lows this month. IDG stock has fallen 63% in the last year and is down 81% since March 2018.

IDG is a Canada-based book, gift, and toy retailer. It operates stores in 10 Canadian provinces and offers online sales through the indigo.ca website. The consumer shift to online shopping has severely impacted sales for the company.

IDG sales have fallen from $1.08 billion in fiscal 2018 to $1.05 billion in 2019. Analysts expect company sales to fall to $961 million in 2020 and $900 million in 2021. In the December quarter, sales fell by $42.3 million year over year to $383.7 million.

This decline was driven by the company's focus on margin improvement, which meant less promotional expenses, resulting in lower sales. In fiscal 2020, IDG is focused on restructuring and reducing costs. A lower-cost infrastructure and higher margin helped IDG increase earnings, despite a fall in the top line.

One key growth driver for Indigo will be the company's foray into the cannabis accessories segment. Recreational cannabis has been legalized in Canada and IDG will soon start selling related accessories online, via its gifting platform Thoughtfull.

Cannabis continues to be a high-growth market, and IDG's entry into this space can help the firm boost revenue.

Kinaxis reports solid revenue

Canada's high-growth tech company Kinaxis announced its fourth-quarter results and reported sales of US$56.3 million — year-over-year growth of 47%. Sales grew by a stellar 27% in 2019.

The company's gross margin rose from 68% in the fourth quarter of 2018 to 74% in the fourth quarter of 2019. Net profit also rose by an impressive 168% year over year to US$7.83 million in Q4.

In 2020, Kinaxis forecast sales between US$211 million and US$215 million. The company estimates SaaS (software-as-service) revenue growth between 23% and 25% this year. SaaS contract bookings were up 40% in Q4.

Kinaxis has a strong net retention rate (over 100%), which indicates its strong relationships with customers and a high level of satisfaction. Another key metric is a 31% improvement in cash flow. Kinaxis improved its cash and short-term investments by a double-digit rate in 2019, which allows the company to execute a robust organic growth strategy.

During the earnings call, company CEO John Sicard stated, "I am extremely pleased with our Q4 and overall 2019 performance, and happy to report that we were able to meet or exceed our 2019 annual guidance for all key financial metrics." He added, "Bookings were very strong in the fourth quarter driving our multi-year SaaS revenue backlog up by 40% from a year ago."

Kinaxis stock has returned 39% in the last 12 months and is up 770% since its IPO in June 2014.

CATEGORY

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TICKERS GLOBAL

1. TSX:IDG (Indigo Books & Music)
2. TSX:KXS (Kinaxis Inc.)

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