If You’ve Got $3,000 to Invest, Buy This TSX Cloud Stock Now

Description

Supply chain management software-as-a-service (SaaS) developer **Kinaxis** (TSX:KXS) stock is white-hot of late, with shares up an astounding 76% from its March bottom to hit a new all-high amid this horrific coronavirus crisis after years of consolidating below the $100 mark.

Kinaxis is one of few firms, like **Shopify**, that saw increased demand for its services amid the pandemic and is a terrific bet for investors looking to hedge their portfolios against further uncertainties brought forth by the coronavirus.

Pandemic-induced lockdowns have wreaked havoc on the supply chains of many companies. As you may know, supply chains can be a complicated beast to tame. With so many supply chains out there that are now a tangled mess, it’s Kinaxis’s supply chain solution that’s seen as coming to the rescue.

An incredible quarter for the Canadian cloud king

The company reported a stellar first-quarter earnings result. Revenues surged to $52.8 million, up 15% year over year thanks to the SaaS and professional services segment, which were up 24% and 54%, year over year, respectively.

The company exhibited tremendous strength across the board, regardless of sector or geography. EPS numbers were pinned at $0.34, which was down 9% from $0.37 reported over the same quarter a year prior, albeit still crushed analyst expectations of $0.29.

Management noted that scenario simulations have doubled for the first quarter as firms scramble to project the extent of the supply/demand imbalance caused by the coronavirus. Such analyses are invaluable to firms that have seen their supply chains disrupted in an unprecedented fashion.

As the pandemic drags on, I suspect that such use of such scenario simulations could accelerate further as firms look to minimize risks associated with profound supply chain disruptions.

Indeed, Kinaxis is providing an invaluable service to its client base during these brutal times. With more quarters of profound uncertainty ahead, I wouldn't at all be surprised if Q1 is just the start of the pandemic-induced sales boom.

Management reiterates its guidance

In these times of unfathomable uncertainty, many firms are pulling their guidance. And it's this refusal to give guidance that's likely to become the norm (alongside dividend cuts) in the era of coronavirus. Kinaxis is one of few firms out there that was confident enough to reiterate its guidance and believe it or not, I think management will end up surprising itself by pole-vaulting over its own expectations, as sales continue picking up meaningful momentum.

A great bet beyond the pandemic

Even in the post-pandemic era, supply chain disruptions could continue to exist with tit-for-tat trade wars that could render Kinaxis's solution as essential for taming the ever-evolving complexities of the supply chain.

Kinaxis's tailwinds could last through 2020 and even spill over into 2021. Although the stock is looking frothy at nearly 16 times sales, I still think it's a buy, especially for younger growth-oriented investors who can afford to take risks.

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