If You'd Invested $10,000 in Kinaxis Stock's IPO, Here's How Much Money You'd Have Now

Description

Investing in the stock market can be a highly rewarding way to save for retirement. Investors who'd bought **Kinaxis** (TSX:KXS) stock at its initial public offering (IPO) six years ago could be sitting on hefty capital gains today in 2020.

Kinaxis is a Canadian supply chain management software firm that is conquering the world territory by territory. Its cloud-based RapidResponse platform is gaining popularity among large automotive, consumer packaged goods (CPG), high-tech, industrial, life sciences, and aerospace industry clients around the globe.

To enjoy the sizeable investment returns that the company has generated over the past few years, you must have believed in the vast growth potential the business had ahead of it, the resilience of its economic moats, and its innovation capacity.

Why buy Kinaxis stock?

"The success of our initial public offering underscores the market's positive view of our unique (software-as-a-service) SaaS offering and the growth potential it represents."

This is a quote from Kinaxis's second-quarter 2014 earnings release when then-CEO Doug Colbeth spoke about the company's well-positioned subscription software offering that would meet complex supply chain analytics and concurrent planning needs of large global enterprises.

Cloud computing was still a fairly new term back then, but it was a promising technological advancement enabled by breakthroughs in networking speeds like 4G and fibre. There were many possibilities, as Canada adopted 4G in 2010, just as there are with the new 5G evolution.

The company's SaaS revenue line was growing at a hot 28% compound annual growth rate by June 2014. Operations were already producing positive adjusted EBITDA, and there was ample room for positive free cash flow generation as the customer portfolio grew.

KXS's SaaS revenue still drives strong double-digit revenue growth, sustained profitability, and positive cash flow generation year in and year out, even to this day. New customer uptake for RapidResponse remains very strong to power a 23-25% compound annual growth rate. Global conglomerates across North America, Europe, and Asia continue to sign up for service.

Most noteworthy, the firm's strong revenue-retention rate remains above 100% to give a clear operating earnings visibility while the company's consistently positive free cash flows continue to fund internal growth projects and periodic acquisitions.

The latest acquisition of a Toronto-based artificial intelligence (AI) firm Rubikloud will expand RapidResponse's planning and analytics capabilities in the CPG industry vertical and create an entry point into the enterprise retail industry. The company's revenue-growth potential remains visible.

Kinaxis was and remains an innovative strong growth stock to own in a retirement portfolio.

Has Kinaxis been a great investment?

June 2020 marked a sixth anniversary month for the high-flying Canadian tech firm's IPO. Buying shares at the company's IPO on June 10, 2014, and holding them to date has indeed been one of the best financial decisions to make.

Investing $10,000 in KXS stock soon after its IPO in June 2014 would have afforded you 769 shares at about $13 a share. Fast forward to June 25, 2020, and that position would have grown 15 times to a staggering $150,724!

This has been a multi-bagger tech stock for real, but not everyone has realized such high investment returns on the position.

The stock saw some massive turbulence in August 2017 when the company ran into some problems with an Asian customer. Its share price dropped by around 21% as traders panicked and bailed out.

You needed to have maintained your cool and avoided selling during the turmoil in order to see a 15 times growth on the position today. This is evidence to the Fool philosophy that to get the best out of the stock market, we have to hold our well-researched investment positions for the long term.

Our time in the market will reward us better than timing the stock market.

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