A Beginner’s Guide for Investing in Automation

Description

Last week, I’d discussed how new investors could look to get in on the explosive e-commerce market with stocks like **Shopify** and **Lightspeed POS**. Today, I want to focus how Canadians can look to invest in automation.

Automation has been a hot topic since the midpoint of the 2010s. It has been on the tip of the tongue for economists and political scientists alike. The automation revolution will have far-reaching effects, but this transformation will be gradual. Instead of betting on a flip of the switch overnight, investors should be targeted when trying to make it big in this area.

Why Canadians need to get in on automation

When the 2020s began, many economists anticipated that automation and the digitalization of the workplace would bring about huge changes. The COVID-19 pandemic has accelerated these trends. Millions of Canadian workers have seen their homes transformed into offices. Meanwhile, there is greater demand to keep workers out of harm’s way from the retail space to industrial sectors.

Factory automation was a game changer during the 2010s. However, it is expected to be introduced to even more industries in this decade. Allied Market Research recently projected that the global factory automation market would reach $368 billion by 2025. This would represent a CAGR of 8.8% from 2018 through the end of the forecast period. Canadian should be eager to get in on this growth.

This top TSX stock is making strides in this space

The TSX is not rich in factory automation stocks, but there is one solid option for investors right now.

ATS Automation (TSX:ATA) is a Cambridge-based company that provides factory automation solutions to a global client base. Its shares have dropped 17% in 2020 as of close on September 17. The stock is down 5.5% year over year. ATS Automation released its first-quarter fiscal 2021 results on August 12.

The COVID-19 pandemic may have accelerated automation trends, but it took a toll on ATS Automation in Q1 FY 2021. Revenues dropped 4% year over year to $324.9 million. Adjusted earnings per share came in at $0.17 — down from $0.25 per share in the prior year. Its Order Backlog fell 7% to $909 million.

On the plus side, ATS Automation has moved ahead to play a role in fighting the pandemic. In September, it announced that it received an order for COVID-19 vaccine syringe manufacturing line. This will feature the company's new Symphoni technology. The project is expected to stretch over the next 10 months.

Shares of ATS Automation last possessed a price-to-earnings ratio of 35 and a price-to-book value of 1.8. This puts the stock in favourable value territory relative to industry peers.

One more stock that fits with the automation revolution

Kinaxis is an Ottawa-based company that offer supply chain management and operations planning software. The modernization of industrial processes will require decision-making and mapping that goes beyond human capabilities. This is where Kinaxis's leading software comes in.

Top auto companies like Volvo and **Toyota** have jumped on board in order to improve their supply chains. Going with the automation theme, Kinaxis is using machine learning and artificial intelligence to bolster its software product. It is well worth scooping up for the long term.

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