



## Kinaxis (TSX:KXS) Stock Has Been Flat Since June: Is it Still a Buy?

### Description

Investors usually ask whether they should invest, or even keep positions, in a company that has been trading flat for some time. Often, this happens after a company's stock has run up quite a bit and returns from that point seem to cool off. In this article, I will discuss whether **Kinaxis** ([TSX:KXS](#)) is still a buy, even though its stock has been flat since June.

### Getting to know the company

Kinaxis is a global leader in supply chain planning. To help companies better manage their supply chain, Kinaxis provides a cloud-based SaaS platform that considers and balances all aspects of the supply chain. The company has exposure to many different market verticals, including pharmaceuticals, technology, retail, industrial, and aerospace, among others.

To date, Kinaxis serves over 100 customers. This list includes names such as **Lockheed Martin**, **Raytheon**, **Qualcomm**, and **Unilever**. The company believes that within the current market verticals it is exposed to, there are about 3,000 customer opportunities. Over the long term, Kinaxis believes that its total opportunity can rise to about 5,000. These numbers stem from a Kinaxis estimate of a 22.4% compound annual growth rate within the supply chain management SaaS application market from 2017 to 2022.

### Has Kinaxis been performing well?

In terms of revenue, the company reported excellent growth in its [latest earnings report](#). Its total Q2 2020 revenue was \$61.4 million, which indicates a 45% increase year over year. The subscription term licence portion of the company's revenue was most impressive. This segment of its business saw a 314% increase year over year. Kinaxis also reported a 56% increase in profit, which also accounts for a 6% gain in its profit margin. This signifies that Kinaxis is finding more efficiencies, which will strengthen its balance sheet.

Unfortunately, these strong numbers seemingly had no effect on the company's stock price. In the past

month, its stock has seen a 5% decline in value, although much of that decline can be attributed to a fall by the broader market. Since June 17, Kinaxis stock has declined 0.07%. This leads to the titular question. Is Kinaxis still a solid investment at this point?

## Is Kinaxis still a buy?

In my [first article](#) on The Motley Fool, I'd stated that Kinaxis is one of two companies you should look at during market downturns. At that point, its five-year stock performance rivaled that of **Amazon**, which is rare in the Canadian market. However, Kinaxis stock has cooled off since.

When factoring a stock's past performance into an investment decision, it is important to look at the big picture. Kinaxis stock gained over 140% between hitting its bottom in March and its all-time high in early August. After a period of explosive growth like that, it is only normal for stocks to cool off for a certain period.

It is also important to review your investment thesis in the company and assess whether anything has changed. Did the company's goals change? Is there a new competitor in its industry? Have insiders been selling? Is revenue deteriorating? If these all hold, then there should be no reason to exit your position.

## Foolish takeaway

Kinaxis was one of the top growth stocks coming out of the market crash in March. However, since June, it has been trading flat. Is it still a buy? That depends on your initial investment thesis. However, the company remains fundamentally strong. In its latest earnings report, the company reported excellent growth in revenue and profit. I can see Kinaxis remaining as a leader in its industry for many years.

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