



Stock Deep Dive: Kinaxis (TSX:KXS)

Description

In March, the COVID-19 pandemic forced countries around the world to impose massive restrictions and widespread shutdowns. This had big implications for the stock market, as many consumer-facing industries were hit hard. Among the companies to quickly rise from the rubble were those that enabled the economy to continue in a more digital setting. [One of the companies](#) to see a surge of investor buying pressure was **Kinaxis** ([TSX:KXS](#)).

From its lowest point this year to its highest, Kinaxis stock increased nearly 150%. However, since June, the stock has been rather flat, as investors have rushed toward other work-from-home companies. In fact, since the company's 20% drop since the start of the month, Kinaxis stock has returned to levels last seen in May. Should you consider the stock for your portfolio? In this article, I will discuss everything there is to know about Kinaxis.

What does Kinaxis do?

A component of the unofficial DOCKS group, Kinaxis provides supply chain management solutions to enterprises. The company provides applications and platforms to several industries including the life sciences, aerospace and defence, automotive, and retail. Examples of big-name companies that turn to Kinaxis's solutions include **Qualcomm**, **Toyota**, and **Unilever**.

A prime offering by the company is its Kinaxis RapidResponse platform. By using RapidResponse, companies are able to analyze their supply chain and make necessary changes within seconds. The platform uses artificial intelligence and machine learning to provide more efficient results as it is used more over time. An essential piece of software for enterprises, RapidResponse can provide early warnings of demand or supply issues.

Does it check boxes off on my investment checklist?

When making decisions about adding companies to my portfolio, I often look at a standardized set of requirements. The first thing I look for is a dependable management team. Ideally, the company would

be founder led, as research has shown that founder-led companies significantly outperform their peers.

Kinaxis is led by John Sicard. Although he did not found the company, Sicard has been with Kinaxis for more than two-and-a-half decades. Starting with the company in 1994, he played a vital role as senior architect and was a key contributor in developing the company's supply chain management solutions. Since then, he has worked as COO, CSO, and CPO, before finally being appointed the role of CEO in 2016.

Kinaxis also has a very strong recurring revenue model, which is another aspect that I look for in companies I hold in my portfolio. Many of Kinaxis's contracts are multi-year in nature, which gives the company a predictable source of revenue. In its [Q3 earnings report](#), Kinaxis reported strong increases in its SaaS and total revenues, which saw increases of 26% and 17% year over year, respectively.

Foolish takeaway

As of this writing, Kinaxis stock has increased more than 1,200% since its IPO. This means a \$10,000 investment at this time would have turned into more than \$134,000 in just under six-and-a-half years. That gives a compound annual growth rate of about 49% over that time. If investing has taught me anything, it is that winners will continue to win.

Kinaxis holds qualities that I look for in companies that I add to my portfolio. Although I do not currently have a position in the company, its strong history of price appreciation, solid management, and predictable revenue sources provide a great argument for future consideration. Kinaxis stock has been stagnant as of late. This could have been expected, given its rapid rise earlier this year. All signs suggest that the company should continue to outperform in the future.

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Date

2025/08/13

Date Created

2020/11/26

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