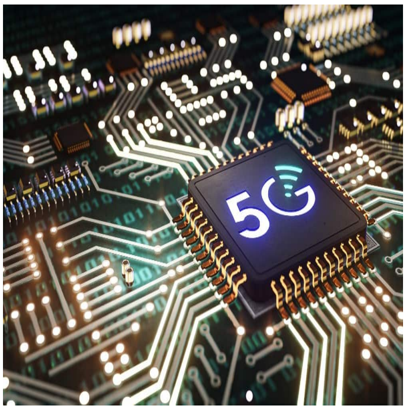

Forget Gold and Bitcoin! Here’s a Tech Stock I’d Buy on the Dip

Description

Gold and Bitcoin have been in high demand in this pandemic-plagued year. With a handful of vaccines that could eliminate the insidious coronavirus in 2021, historic market uncertainties could partially clear up, and such “safe haven” assets could stand to pullback.

Sure, the unprecedented magnitude of stimulus could pave the way for an unchecked rise in the rate of inflation (central banks to stand pat for longer). While it makes a tonne of sense to have at least a bit of precious metals exposure to hedge against inflation, deflation, or market volatility, I don’t think gold bugs have a lot to gain by overweighting themselves in the shiny yellow metal with prices near US$1,900 an ounce.

While I do think gold should comprise a small portion of one’s portfolio (no more than 5%), I wouldn’t treat the asset as something to speculate on. It’s notoriously difficult to project a commodity’s next move, given the large number of variables involved.

As for Bitcoin, nothing, I believe, is stopping the asset from losing a majority of its value over a very short timespan. Bitcoin may be viewed as the new gold by some young investors. Still, I ultimately think replacing one’s gold exposure with Bitcoin will be a losing proposition in the long run because, unlike gold, Bitcoin may actually be a worthless form of “artificial gold,” as Charlie Munger, Warren Buffett’s right-hand man, stated in an interview conducted by CNBC over two years ago when the price of Bitcoin was rising rapidly.

Great stocks at great prices beat gold and Bitcoin

Instead of speculating on scarce assets like gold and Bitcoin, I’d much rather buy shares of wonderful growth businesses on the dip. **Kinaxis** (TSX:KXS) is an out-of-favour Software-as-a-Service (SaaS) company that’s easier to evaluate. The developer of supply chain management software has been in a slump of late, with shares plunging in early November amid renewed COVID vaccine hopes.

There’s no question that Kinaxis has been a major winner and likely beneficiary of the pandemic. The pandemic has disrupted many firms’ supply chains, and demand for platforms such as Kinaxis’s has been in high demand. With a supply-chain-taming solution that can help firms save a tonne of time and money, Kinaxis has been providing an invaluable service to its clients, many of whom aren't going anywhere once COVID-induced supply chains are brought back into order.

As I noted in a prior piece, I thought the supply/demand imbalances would persist well after COVID is conquered, also noting that the post-earnings (and post-vaccine news) drop was unwarranted, given that I believed that the pandemic acted as more of a sustained accelerator rather than a short-lived pull-forward in demand for supply chain management solutions.

A decent third quarter that wasn't viewed as such

Kinaxis pulled back after the firm pulled the curtain on its third-quarter results, which were actually quite decent. Investors weren't impressed with a handful of customers who chose not to renew. And if I had to guess, they're likely fearful over the potential for further non-renewals in a post-pandemic environment.

It's worth noting that investors appear rattled over a tiny chunk of non-renewers and think new deals could more than offset what I see as mild non-renewal pressures. Kinaxis clocked in a solid beat and raise, yet investors chose to take profits, and I can't really blame them, as it's only prudent to do so after a big run.

For those looking for value in the tech scene going into the new year, though, Kinaxis is an intriguing option at just shy of 17x revenues, which is far cheaper than most other SaaS companies that have been given a boost amid the pandemic.

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