Kinaxis: A Growth Machine That Can Double Your Money in 2021

### Description

The technology industry has been on a paradigm shift over the past few years with SaaS (Software-as-a-Service) companies popping up across the globe. Ontario-based **Kinaxis** (TSX:KXS) is one such company that is a provider of cloud-based SaaS solutions for complex supply chain operations. After successfully featuring in the TSX30 list for the past three years, in 2020 it grew by more than 80%, despite the disruptions caused by COVID-19.



## Kinaxis has massive growth opportunities ahead

SaaS-based services are growing consistently, and in 2020 they have become a "must-have," as organizations across the globe had to resort to work-from-home services to continue their operations. Although vaccines are around the corner, this trend is not going to subside immediately.

The industry is still in its embryonic stage, and with the advent of 5G, artificial intelligence, and other technological advancements, it is about to witness a massive growth explosion. The global SaaS market was valued at $134.44 billion in 2018 and is expected to grow by a CAGR of 13.1% to $220.21 billion by 2022, thereby indicating there is going to be a huge market for Kinaxis.

While COVID-19 had caused several disruptions in the supply chains of companies across industries, it raised the demand for Kinaxis's services and helped it garner additional customers. Further, Kinaxis has taken advantage of the growing huge SaaS market by leveraging AI tools to bolster its software offerings and has made a mark for itself.

Kinaxis has been earning steadily through subscriptions from its huge customer base. Since most of its contracts are multi-year contracts, there will be a predictable flow of revenues over the years. With activities like supporting the hard-hit Canadian music industry or helping manufacturers plan without limits, Kinaxis is massively focused on attracting new customers and creating a strong brand value for itself.

Cost reduction is one of the main essences of an organization's survival; therefore, to cut down the expenses on building expensive infrastructure, everyone from small startups to big business houses are opting for cloud computing services from third-party vendors, making Kinaxis an ideal long-term bet for growth investors.

## A strong and healthy balance sheet

Kinaxis has pretty good financials. Between 2015 and 2020 it managed to grow its EPS by 12% every year, while its share price rose by over 300%. In its third quarter, despite the challenges caused by the coronavirus, Kinaxis managed to successfully have a 26% sequential rise in its revenues to $39.3 million, while, on a year-over-year basis, it showed 17% growth. The company had made some significant investments in Q3 and still managed a positive EBITDA of 18%.

The fact that Kinaxis beat estimates for all three quarters in 2020 shows the extent of its growth and resilience in the face of one of the most torrid times in modern history.

Kinaxis had a pretty decent balance sheet, even at times when many of its peers had suffered losses. Now, when a majority of business houses have started relying on e-commerce and cloud-based services, it seems Kinaxis is not going to slow down. The stock is currently trading at $167.07, and adding it to your portfolio won't hurt you.



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