ON SALE! Buy This 1 Cheap Artificial Intelligence Stock That Just Fell 20% Today

Description

On Thursday, shares of Canadian software company **Kinaxis** (TSX:KXS) saw a massive sell-off after the company released its Q4 results. This morning its stock was trading with 20% losses for the day against a minor 0.2% rise in the **S&P/TSX Composite Index**. It's a Kanata, Ontario-based software company. Let's find out what triggered Kinaxis's sharp losses today and why I think it's an opportunity to buy its stock cheap.

Kinaxis stock fell 20%

In the fourth quarter, Kinaxis reported a minor 2.4% year-over-year drop in its total revenue to US$54.9 million. However, it was better than analysts' consensus estimate of US$53.9 million. More importantly, its SaaS (software as a service) segment sales jumped by 24% year over year to US$ 39.8 million. The company closed the full year 2020 with a strong 17% rise in its total revenue to US$224.2 million.

It was higher compared to its revenue guidance range of US$220 to US$223 million for the year. While its revenue growth slowed in 2020, I would still consider it positive, as Kinaxis managed to report a strong sales year despite the global pandemic challenges.

Kinaxis' fourth-quarter earnings stood at US$0.12 per share — 10.3% lower compared to analysts' expectations and 70% lower on a year-over-year basis, which could be the primary reason why its stock slipped 20% on Thursday. On the positive side, its adjusted EBITDA margin stood at 24% — on the higher side of its guidance range of 22%-24%.

Growth is likely to continue

Company management expects COVID-19 related incremental-booking delays in 2020 to affect its 2021 SaaS growth. However, the company expects 2022 financials to benefit from expected growth in incremental bookings this year.

In 2021, Kinaxis expects SaaS revenue to rise by 17%-20%. At the same time, it has guided its revenue for the year to be between US$242 million to US$247 million range — compared to US$224.2 million this year.

Why buy its stock here?

Tech companies are ruling the world today. Every sector and industry is gradually becoming highly dependent on new technology to make their operations more efficient and profitable. That's the reason why Canadian tech companies like **BlackBerry** (TSX:BB)(NYSE:BB) and Kinaxis are heavily investing in artificial intelligence (AI). Even the capital-intensive industry like the automobile is also highly dependent on new technology.

BlackBerry's QNX real-time operating system has gained a lot of popularity among the world's largest automakers in the last few years. Now, BB plans to expand its offerings for self-driving and electric cars. To make this possible, it's working in collaboration with tech giants like **Amazon** Web Services and **Baidu**.

Similarly, Kinaxis's AI-based software solutions help large organizations improve their business planning and identify potential risks and opportunities in time. The demand for such AI-based software solutions is likely to surge in the coming years as more small and medium organizations also start understanding its importance. That's why I expect Kinaxis's future growth potential to be much higher than what most analysts are estimating at the moment.

Foolish takeaway

Today's sharp drop in Kinaxis stock could be a good opportunity to buy an AI-based tech company's shares cheap. In 2020, its stock rose by 80% despite the broader market uncertainties. It could yield even better returns in the coming years with the fast-growing demand for AI-based solutions.

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