



## Kinaxis (TSX:KXS): Should You Buy the Dip?

### Description

**Kinaxis** ([TSX:KXS](#)) was one of the best-performing stocks in 2020, rallying by more than 90% to record highs of \$224 a share. Fast forward to 2021, and the stock has come under pressure. It's down by about 20% from all-time highs. Could this pullback be an opportunity for long-term value investors?

Here's a closer look.

### Kinaxis's growth opportunity

The Ottawa-based company has carved a niche for itself as a reliable supplier of cloud-based, subscription-based software for supply chain operations. A solid first-quarter report all but affirms the company's solutions are resonating well with customers.

The challenging business environment of the past year is also receding. Suppliers across the world now face excess demand. Households in the developed world are sitting on excess savings and are willing to spend it all over the next few months. That's a tailwind for companies like Kinaxis.

With COVID-19 rendering many supply chains a mess, Kinaxis has become the go-to provider for cloud-based supply chain management solutions. Likewise, the company has made a name for itself as a cloud-based Software-as-a-Service (SaaS) provider. Some of its high-profile clients include **Ford, Nissan, and Unilever**.

### Recent acquisitions

Last year, Kinaxis acquired Rubikloud Technologies for \$60 million. The startup provides a platform that uses artificial intelligence to forecast demand. This helps suppliers plan inventory, sales, and pricing.

The acquisition is a clear sign that Kinaxis is rapidly adding AI features to its core product offering. This should help it cement its lead as a critical part of the global supply-chain management industry.

Kinaxis has roughly \$230 million in cash on hand, and its debt-to-equity ratio is remarkably low (5.6%). That means it has plenty of room to acquire more startups and enhance its product offering further.

## Revenue growth

Revenues in Q1 were up 9% to \$57.7 million as Software-as-a-Service (SaaS) revenue increased 19% to \$40.5 million. The company is projected to generate between \$242 and \$247 million in revenues for the full year.

The company is currently worth \$4.3 billion. That's a forward price-to-sales ratio of 17. [Kinaxis](#) stock is not cheap. The stock is trading at a price-to-sales multiple of 19 and a forward P/S ratio of 17. However, this could be a fair price to pay. As the global trade and consumption rebound gathers steam, Kinaxis faces multiple growth tailwinds ahead.

## Bottom line

Kinaxis stock has corrected in recent months. It's down 20% from its all-time high, after a stellar run in 2020. While this dip hasn't made the stock *cheap*, it has certainly made the stock more attractive.

Kinaxis faces several tailwinds ahead. Its recurring SaaS revenue is growing at double-digit rates. Meanwhile, the recovery in global demand and trade should help it attract or retain more clients. Altogether, this seems like an ideal opportunity for investors seeking growth at reasonable prices.

As the global economic recovery gathers pace, Kinaxis should be at the forefront of the recovery. This is why it deserves a spot on your tech stock watch list.

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