



Top 2 AI Stocks for Your TFSA

Description

Artificial intelligence (AI) is perhaps one of the most disruptive pieces of technology of our lifetimes. The combination of vast data and machine learning could help us automate much of the economy within a few decades. Unsurprisingly, this opportunity is worth trillions.

Canada isn't at the forefront of AI research, but some of our tech stocks do seem to be carving out their own special niches in the emerging sector. Adding these to your Tax-Free Savings Account (TFSA) could be a recipe for long-term wealth creation.

With that in mind, here are Canada's top two AI stocks.

AI stock #1

Kinaxis ([TSX:KXS](#)) has entered the AI race with its recent acquisition of AI-based retail and CPG demand planning provider Rubikloud. The startup helps retailers forecast demand with AI-based prediction models so that they can plan their promotions and supply chain.

It's an early sign that Kinaxis is serious about investing in AI. Over time, I'd expect the company to add more AI startups and tools to its arsenal. This acquisition-driven growth model has helped Kinaxis create immense value for shareholders in the past. There's no reason to doubt that this will continue.

Kinaxis stock is down over the past year and year to date. Its boom in 2020 was short-lived. But with global trade recovering, the stock could bounce back stronger than ever. Adding AI to the mix could unleash its true potential over the long term. This seems like a great opportunity to add an undervalued tech stock to your TFSA.

AI stock #2

Open Text's ([TSX:OTEX](#))([NASDAQ:OTEX](#)) Magellan™ is widely regarded as one of the best enterprise AI solutions on the market. That's what makes OTEX a top-notch AI stock.

The stock has recouped all its losses from the first half of this year and is now up by more than 8%. The rebound could continue as Magellan™ attracts new corporate clients.

The Waterloo-based enterprise software company continues to [elicit strong demand](#), as they help businesses and companies gain insight and make the right decisions at the right time. After receiving a boost in the wake of the COVID-19 pandemic, demand has remained high, explaining the seven consecutive quarters of revenue growth.

Open Text already boasts of [high-profile](#) clients in the name of **Alphabet**, **Amazon** AWS, and **Microsoft** that leverage its solutions to analyze and spot deficiencies in data protection. Likewise, the company remains well positioned to continue generating more recurring revenue with the deals in place.

Value creation

The acquisition of Carbonite has allowed Open Text to ink ties with some world-class organizations and partners. For the 2021 fiscal year, analysts expect Open Text to deliver a 27.2% year-over-year increase in adjusted net profit compared to a 25.2% increase registered in 2020.

After the recent breakout, Open Text is still trading at a discount going by its price-to-sales multiple of five and price-to-book multiple of four. That said, Open Text is a smart play for any investor seeking exposure to a high-growth segment.

Open Text is also an ideal play for passive income, as the company is well positioned to generate long-term free cash flow given the strong demand for its software solutions.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. TSX:KXS (Kinaxis Inc.)
3. TSX:OTEX (Open Text Corporation)

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