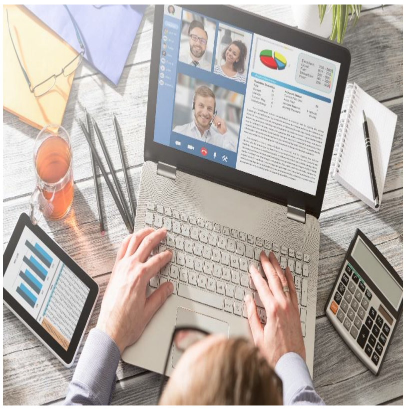

1 Canadian Software Stock That Could Heat Up After Earnings

Description

Kinaxis (TSX:KXS) is a Canadian a supply-chain planning software-as-a-service (SaaS) company that's been under considerable pressure for most of 2021. The stock now finds itself down 10% year to date and off 24% from its late-2020 all-time high.

With second-quarter earnings on tap for August 5, investors may be wondering if the tech laggard is ready to make up for lost time going into the second half.

Undoubtedly, the technical picture suggests the name has bottomed, with a double-bottom now in the rear-view mirror. Fundamentally, shares are priced at the lower end of the range at just 15.6 times sales.

With supply chains around the world still in disorder, the demand for value-adding software offerings like those offered by Kinaxis could still have the potential to be robust. Sure, the worst of the supply-demand imbalances are likely behind us, but things are still far from perfect, with COVID-19 variants still out there.

Pick-up in spending could benefit Kinaxis in a big way

Moving forward, supply chains, in aggregate, will become that much more manageable as COVID-19 headwinds gradually begin to fade. Many firms that saw their supply chains be disrupted due to the pandemic's impact will have finally breathe a sigh of relief. Such relieved firms will have more cash on hand to spend on efficiency-driving services like those offered by Kinaxis.

Undoubtedly, such a spending resurgence in the early innings of the "Roaring 20s" environment could bode very well for Kinaxis heading into year's end, as the company looks to meet (and maybe even exceed) the full-year guidance.

Kinaxis: A compelling catch-up trade for the second half of 2021

Over the past few months, many high-growth tech stocks are already blasting off to reach new highs ahead of the big economic boom, thanks in major part to lower rates on the 10-year U.S. Treasury note. Such recovering growth stocks have all but shrugged off the first-quarter rolling correction targeted at higher-growth companies.

Kinaxis wasn't one of the firms that were able to abruptly recover the ground lost from the vicious first-half selloff, thanks in part to a pretty muted first quarter that management was quick to shrug off.

Kinaxis CEO John Sicard was quite happy with the first-quarter results despite the unfortunate delays caused by COVID-19. The full-year outlook remains intact, and the second quarter may very well be a launchpad for the firm that has yet to participate in growth's latest run.

With shares of Kinaxis now among the cheapest of SaaS plays, I'd argue that the case for buying KXS stock as a second-half catch-up play makes a tonne of sense.

Moreover, Kinaxis' balance sheet is on some very stable footing, with over $230 million worth of net cash that could go toward M&A opportunities at some point in the second half.

Should you buy before earnings?

Things are starting to look up for Kinaxis.

In a prior piece, I pounded the table on the stock as shares ricocheted off the bottom. I stated that the name was likely to test its highs in the late summer, as lower rates would be the "tide that lifted all boats" in the high-growth tech scene. Better-than-expected second-quarter results could be the big boost the tech laggard needs to climb out of its funk after over a year of delays and disappointment.

I'd look to buy before earnings, as I think the stage could be set for a nice beat.

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