



This Stock Outperformed Canadian Real Estate!

Description

Canada's real estate is "better than gold," they say. I disagree. All asset classes have surged in recent years and some high-growth tech stocks have even outperformed real estate. Here's a look at one such example and the implications for your investment strategy.

Canada's real estate performance

Canada's real estate has been in a bull market for three decades. According to the Teranet's Composite 11 index — which takes the average house price across Canada's 11 biggest cities — the average house costs nearly triple what it did in 2005.

Since 2014, the average house has appreciated by 72%. Assuming you put just 20% down and held onto the same house for all those years, your total return is nearly 360%. That's a compounded annual growth rate (CAGR) of 20% over seven years!

However, several Canadian stocks have performed much better than that over the same period. Some of them are boring software companies that aren't household names. Here's one example.

Better than housing

Logistics software provider **Kinaxis** ([TSX:KXS](#)) is an excellent example of stocks outperforming real estate. This stock has delivered a total return of 1,233% since 2014. That's a CAGR of 43% over the same seven-year period we looked at above.

In other words, you could have just clicked a button to buy KXS, avoided debt, messy tenants, property taxes and annual maintenance expenses to get a better return on the stock market.

In even better news, [Kinaxis is now on discount](#).

Stock pullback

It's been a roller-coaster year for Ottawa-based Kinaxis. The stock started the year strong, surging by more than 70% to record highs of \$229. Since then, it has lost 24% of its value and is now trading at just \$173.

That pullback is an opportunity, because Kinaxis is still firing on all cylinders.

The company is fresh from posting solid [Q3 results](#) that affirm growth in the core business. Sales surged 17% year over year to \$64.4 million, driven by a 14% increase in subscription sales at \$44.7 million. Its cash flows also more than doubled to \$11.25 million, affirming its ability to generate shareholder value.

For the full year, Kinaxis is projecting Software-as-a-Service (SaaS) sales of between \$248 million and \$250 million with revenues expected to grow by between 17% and 20%. EBITDA, meanwhile, is expected to increase by between 14% and 16%.

Kinaxis outlook

Kinaxis designs important software for [supply chain management](#) operations. With many companies around the world suffering from supply chain-related issues, the company remains well positioned to generate significant long-term value.

While the company does not pay any dividends, the prospects of share price increase is very high, especially after the recent deep pullback. In addition, the stock is trading at a premium with a forward price-to-earnings multiple of 101.

A high premium is expected of any company with solid underlying fundamentals and long-term prospects. That said, Kinaxis is a solid buy as a pullback play.

Bottom line

Kinaxis has outperformed Canadian real estate. Will housing continue appreciating at 20% a year going forward? I highly doubt it. But enterprise software and innovative tech certainly has more room for growth in the decade ahead.

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