



2 Quality Growth Stocks Breathe Life Into the Tech Sector

Description

Tech stocks have been out of favour this year, although the sector has been on a roll lately with its 10.38% gain in five days. Also, on June 24, 2022, nearly all of the [technology constituents](#) in the **S&P/TSX Composite Index** closed in positive territory. However, **Kinaxis** ([TSX:KXS](#)) and **Tecsys** ([TSX:TCS](#)) are back on investors' radars following their 5.79% and 10.44% advance, respectively, on Friday last week.

The two growth stocks are helping industry leaders **Shopify**, **Lightspeed Commerce**, and **Nuvei** breathe life to the battered sector. The latest display of pricing power by Kinaxis and Tecsys makes them interesting buys. Moreover, some market analysts say that quality growth stocks can also offer better protection against high inflation.

Visibility into the future

Kinaxis's advance in the last five days (+20.75%) is more than double the broader sector. Because of its strong revenue growth in Q1 2022, analysts covering the tech stock are bullish and recommend a buy rating. They forecast the current share price of \$144.94 to climb 44% to \$209.20 in 12 months.

The \$3.99 billion company provides cloud-based subscription software for supply chain operations to customers in Canada and around the world. The features of Kinaxis's Software-as-a-Service (SaaS) platform include advanced planning, sales & operations planning, supply & demand planning, inventory management, and command & control centre services.

In Q1 2022, SaaS revenue and total revenue increased 22% and 70% versus Q1 2021. Notably, profit reached US\$12.52 million compared to the US\$1.53 million net loss in the same quarter last year. Cash from operating activities and annual recurring revenue (ARR) increased 7% (to US\$21.99 million) and 21% (to US\$4232 million) year over year.

Kinaxis's president and CEO John Sicard said, "We are pleased to report a very strong start to the year with first quarter financial performance beating our expectations and ultimately driving an improved outlook for the full calendar year."

For the full-year 2022, management forecasts total revenue between US\$345 million and US\$355 million. It also expects SaaS to deliver revenue growth of 23-25%. Furthermore, the company's long-term contracts provide visibility into future, contracted revenue.

Solid revenue growth

Tecsys still trades at a discount, despite the impressive 10.44% gain in one day. At \$36.50 per share (-30.48% year to date), the tech stock pays a 0.85% dividend, a rarity from a growth-oriented company. Still, market analysts' 12-month average price target is \$53.29, or a return potential of 46%.

Management will report its Q4 and full-year fiscal 2022 this week, but the results from the preceding quarter were already encouraging. In Q3 fiscal 2022 (quarter ended January 31, 2022), SaaS revenue and ARR increased 49% and 17% versus Q3 fiscal 2021.

The total revenue of \$35.4 million was a record, although net income went down 50% year over year. Nonetheless, it was a strong quarter given the 12th consecutive quarter of revenue growth. Its CFO Mark Bentler said, "We are pleased with another quarter of solid revenue growth in spite of significant foreign currency headwinds."

Supply chain solutions

Supply chain disruption is one of the major factors that triggers market instability. Kinaxis and Tecsys provide powerful supply chain solutions to help companies navigate and thrive in the complex environment.

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1. Investing
2. Tech Stocks

TICKERS GLOBAL

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2. TSX:TCS (Tecsys Inc.)

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