ChatGPT Valued at $29 Billion: These Canadian Stocks Are Big AI Players

Description

ChatGPT is the biggest internet phenomenon of 2023. Since launching just over a month ago, it has rapidly acquired over a million users, becoming the fastest app in history to do so. ChatGPT has become so popular that it was recently valued at $29 billion, which is more than double what it was valued at in 2019. Shortly after that valuation was reached, **Microsoft** announced that it would invest $10 billion into OpenAI (the company that develops ChatGPT) after investing $1 billion a year earlier.

These days, many people would love to invest in ChatGPT. The app is the talk of the town on Fintwit (financial **Twitter**), and, of course, venture capitalists are tripping over themselves to get a piece of the action. However, it's not possible to invest in ChatGPT directly. You can get a bit of indirect exposure via Microsoft stock, but that's about it. If you want to invest directly in artificial intelligence (AI), you'll have to look elsewhere.

In this article, I will explore two Canadian stocks that offer direct exposure to AI.

Open Text

Open Text (TSX:OTEX) is a Canadian tech company involved in data processing and text editing. It has a number of content management products and services. In some cases, OTEX's products employ AI. For example, Open Text AI and Analytics uses AI to help people visualize data to make it more understandable.

How is OTEX actually doing with its AI-powered software offerings?

Pretty good. In its most recent quarter, Open Text delivered the following:

- $852 million in revenue, up 2.4% (it would have increased 7.1% if not for the currency fluctuations that occurred in the period).
- $722 million in recurring revenue, up 4.4%.
- $132 million in operating cash flow (operating cash flow is a measure of how much cash a company earns from its day-to-day operations).

- $92 million in free cash flow (free cash flow is an all-cash earnings metric).

It was a pretty good showing. Obviously, the growth here is not quite the explosive geyser you might expect when you think of “AI,” but the company basically delivered solid cash flows. I’d consider it a mildly interesting release from a mildly interesting company.

Kinaxis

Kinaxis (TSX:KXS) is a supply chain management software company. It helps people make supply chain decisions quickly. Let’s say that you run a store, where you sell lettuce that you buy from a farmer. Sometimes, you don’t sell all of your lettuce quickly enough, and it goes bad. Kinaxis software can help you notice trends in when customers come in to buy lettuce, so you can just the right amount of it at the right time.

There are many software applications of this sort. What makes KXS unique is its early adoption of AI. With Kinaxis’s solutions, many aspects of supply chain management are automated. For example, detecting trends in the supply and demand for items (e.g., lettuce) can be handled at the software, so the human user gets data ready to go. This saves time and leaves the user free to focus on doing what they do best: running their business.

It seems to be working out well for KXS. In its most recent quarter, its revenue grew 38%, which is very impressive given that most tech companies barely grew at all in the third quarter. All in all, it’s a very impressive company.

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