Google's $100 Billion Mistake Leaves the Door Wide Open for 2 Canadian Tech Stocks

Description

Alphabet (NASDAQ:GOOG), otherwise known as Google, recently made a $100 billion mistake. Shortly after **Microsoft** launched an artificial intelligence (AI) chatbot, Google scrambled to build its own chatbot, leading to a $100 billion selloff in just a few days. The problem was that Google's chatbot, Bard, made an easy-to-spot error in an advertisement. Investors were appalled, and they sold GOOG in response to what they saw.

Google's mistake is in the past now. But it raises an important question: who is going to make money off all this AI stuff? Obviously, companies that use AI to simplify tasks will make money. But other companies stand to lose money if AI makes their products irrelevant. As Alphabet showed, even companies that have advanced AI capabilities can lose by being on the wrong side of the AI hype train.

In this article I will explore two TSX stocks that stand to benefit from the rise of AI.

Kinaxis

Kinaxis (TSX:KXS) is a supply chain management software company. Its solutions help people with supply chain tasks like

- Supply planning;
- Demand planning; and
- Inventory management.

In addition to the solutions above, Kinaxis also offers Planning One (TM), which incorporates elements of all three and more.

How does Kinaxis use AI?

Basically, it uses AI to help its users identify supply chain risks and opportunities before they happen. Let's say someone needs to plan how much inventory they need on their store's shelves on a given day. They could try to figure it out by hand. That would take a lot of time, and it might cost money in the form of hiring consultants. With Kinaxis's supply chain management features, this hypothetical person could get daily sales volume insights and plan out their inventory needs much more quickly. So, KXS's software serves a real purpose in the market.

How is Kinaxis doing lately? Pretty well. In its most recent quarter, it reported $89 million in revenue, up 39%, and $1.62 billion in net income, up 714%. It was a strong showing. And the full-year picture was similar, with strong growth in sales, gross profit, and net income.

Constellation Software

Constellation Software (TSX:CSU) is a Canadian software company made up of hundreds of smaller acquired companies. It operates much like a venture capital firm, finding and acquiring existing companies. The difference is that unlike a VC firm, Constellation Software doesn't buy companies just to sell them off later, it incorporates them into its own business. This strategy has paid off, with CSU having achieved strong growth in revenue, earnings, and free cash flow since it went public in 2006.

How does Constellation Software profit off of AI?

In this case, it's more about potential than anything else. CSU does not own any well-known AI startups, but its main niche (enterprise software) has many places where AI can be used. For example, it can help in planning out what kind of food to prepare at restaurants in anticipation of the likely clientele on a given day. The opportunities here are endless. Also, CSU may gain opportunities to invest in AI startups, as more and more of them form in the coming years.

CATEGORY

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2. TSX:CSU (Constellation Software Inc.)
3. TSX:KXS (Kinaxis Inc.)

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Date
2025/08/25
Date Created
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