Kinaxis (TSX:KXS) Just Surged 125%: Should Investors Keep Buying?

Description

The market may be down close to 10% on the year, but that hasn't stopped many Canadian companies from reaching all-time highs.

Since the March 23rd low, the **S&P/TSX Composite Index** has gone on an incredible run, gaining almost 40% in under four months. In that same time span, **Kinaxis** (TSX:KXS) has seen its stock price grow by more than 125%.

Technology has been one of the top-performing industries year to date. While much of Canada has been practicing social distancing over the past several months, many brick-and-mortar retail locations were forced to temporarily close down. During this shutdown, many technology companies that focus on selling subscription-based software were fortunate enough to continue to sell their products and services.

Kinaxis

The $5.5 billion company provides cloud-based subscription software for supply chain operations to companies across the globe. **Kinaxis** (TSX:KXS) has clients in Canada, the U.S., Europe, and Asia.

The tech company is as close as you'll get to a one-stop shop for supply chain operations. Kinaxis provides customers with a range of services, including demand and supply planning, inventory management, order fulfillment, and capacity planning.

In addition to the Kinaxis's supply chain management solution, also known as RapidResponse, the company offers professional services to its customers as well. Implementation, configuration, training, and maintenance are all services that Kinaxis offers to its clients.

Growth in the supply chain industry

The company reported its Q1 performance in early May, where management reiterated to shareholders their confidence in achieving the company's initial guidance for the year.

Year over year, the company saw quarterly revenue growth of 15%. The SaaS division was a top performer, which saw revenue growth of 24%. The company also highlighted that it saw a year-over-year growth close to 50% in order backlog. The high year-over-year growth rate is a testament to the potential future of Kinaxis.

Investors will need to wait until next quarter's report to get the full story on how revenue has been affected by the COVID-19 virus, but management believes in the importance of supply chain solutions now more than ever.

Both consumer and corporate purchasing behaviour has been dramatically altered over the past few months due to the global pandemic. As a result, supply chain operations of businesses across the globe have been put to the test to try and keep up.

Growth through acquisitions

The tech company has also implemented an acquisition strategy to help fuel revenue growth. One of the more recent acquisitions was of the Toronto-based company Rubikloud.

The AI-based company provides software that automates supply chain prescriptive analytics and decision making. The company specializes in the retail and consumer packaged goods industries.

Management noted that this acquisition was not only done to help fuel internal growth but to also grow the company's presence in the enterprise retail industry.

Foolish takeaway

Even if the broader market is down close to 10% this year, that doesn't mean investors shouldn't be confident about investing in the stock market today. Many tech companies, including Kinaxis, are witnessing a surge in demand due to the effects of the COVID-19 virus.

The company may have already seen its stock price double this year, but I believe there will many more years ahead for market-beating returns that Kinaxis shareholders will benefit from.

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