Beyond Silicon Valley

The Rise of AI Stocks in Canada

A 3-Stock Research Report: Kinaxis | Constellation Software | Coveo

Introduction: Canada's Quiet AI Revolution

When investors think of artificial intelligence stocks, their minds typically drift to the usual suspects: **NVIDIA**, **Microsoft**, **Alphabet**, and the parade of Silicon Valley darlings dominating headlines. But north of the border, a different story is unfolding. Canada—home to Geoffrey Hinton, the "godfather of deep learning," and a thriving AI research ecosystem centered around institutions like the Vector Institute—has quietly cultivated a crop of publicly traded companies embedding AI into enterprise software in ways that are both profitable and practical.

This report profiles three Canadian technology companies that represent distinct approaches to the AI opportunity: **Kinaxis** (TSX:KXS), a supply chain orchestration platform with AI at its core; **Constellation Software** (TSX:CSU), a sprawling software conglomerate with over 1,000 portfolio companies positioned to integrate AI; and **Coveo** (TSX:CVO), a pure-play enterprise AI search and relevance company riding the generative AI wave.

For investors seeking AI exposure outside the frothy valuations of US mega-caps, these Canadian contenders offer a compelling alternative, each with distinct risk/reward profiles worth understanding.

Kinaxis (TSX: KXS)

What Kinaxis Does

Kinaxis is a cloud-based supply chain orchestration company that helps large enterprises plan, simulate, and execute across their entire supply chain operations. The company's flagship platform, Maestro (formerly RapidResponse), enables companies to run unlimited "what-if" scenarios, create digital twins of their supply chains, and make faster decisions using AI-powered analytics.

The company serves 400+ enterprise customers across aerospace and defense, automotive, industrial manufacturing, high-tech, life sciences, and consumer products, industries where

supply chain complexity is a constant operational challenge. Think of Kinaxis as the decision-making brain for companies managing thousands of suppliers, millions of SKUs, and global logistics networks.

Where AI fits in: Kinaxis has invested heavily in machine learning capabilities, with 55% of its patent portfolio focused on AI/ML innovations. Products like Demand.AI use machine learning for demand sensing and forecasting, while Planning.AI automatically optimizes the combination of heuristics and algorithms for supply planning. The company recently launched "Maestro Agents"—AI agents that autonomously monitor, predict, and take action on tasks like inventory management and disruption mitigation.

Why Buy

Annual recurring revenue (ARR) acceleration tells the story. Annual recurring revenue growth accelerated from 12% in Q4 2024 to 17% in Q3 2025, with management expecting to exit 2025 at an even higher growth rate. Additionally, **aI positioning is authentic.** Unlike companies retrofitting AI buzzwords onto legacy products, Kinaxis has been building AI/ML capabilities for years. With 40,000 active users leveraging AI-powered supply chain tools, this isn't vaporware: it's production-grade technology. Additionally, **low market penetration.** With only ~400 customers in industries containing thousands of large enterprises, Kinaxis has significant runway for new customer acquisition and expansion within existing accounts. Finally, **balance sheet strength.** With over C$300 million in cash, minimal debt , Kinaxis has strategic flexibility to invest through cycles.

The Foolish Bottom Line

Kinaxis is the quiet workhorse of Canadian AI. It's a company that has been embedding machine learning into supply chain software while others were still debating what AI means, with accelerating ARR growth and proven profitability. For investors who believe supply chain orchestration will remain mission-critical in an AI-enabled economy, Kinaxis offers an attractive long term opportunity.

Constellation Software (TSX: CSU)

What Constellation Software Does

Constellation Software is not a software company in the traditional sense. It's a software holding company that acquires and operates vertical market software (VMS) businesses. Founded in 1995 by Mark Leonard, Constellation has amassed a portfolio of over 1,000 individual software companies spanning 60+ niche industries, from golf course management to funeral home software to municipal utility billing.

The business model is elegantly simple: acquire small, profitable, mission-critical software companies at reasonable prices, let founders continue running operations autonomously,

and redeploy cash flows into more acquisitions. Rinse and repeat. The result? One of the best-performing stocks in Canadian history.

The AI angle is subtle but significant. Constellation's 1,000+ portfolio companies collectively serve millions of customers with deeply embedded, data-rich software. Each of these businesses represents an opportunity to layer AI capabilities on top of existing workflows using customer data that competitors can't access.

Why Buy

The track record speaks for itself. A $10,000 investment at IPO in 2006 would be worth over $1 million today. Few public companies can match this consistency of capital allocation.[12] Additionally, **vertical market software is a moat.** VMS businesses have high switching costs because they're deeply integrated into customer workflows. A funeral home isn't switching software on a whim. This creates sticky, recurring revenue with predictable cash flows. Moreover, **t**he fragmented VMS market offers a deep pipeline of targets for years to come, funded with Constellation's exceptional, **cash generation.**

Finally, recent market concerns about AI disruption and leadership transition have created a rare valuation opportunity. The company directly addressed AI concerns in a September call, emphasizing that AI represents new opportunities rather than threats to their vertical market software portfolio. Mark Leonard's transition to Mark Miller as president maintains continuity—Miller is a 30-year Constellation veteran, and management has made clear that nothing changes operationally. These non-fundamental concerns have caused the stock to trade lower without sound business reasons, creating a window of opportunity that may close quickly as the market recognizes these issues as temporary noise rather than structural problems.

The Foolish Bottom Line

Constellation Software is the Berkshire Hathaway of software, a compounding machine built on disciplined capital allocation rather than flashy product launches. The biggest risk? Organic growth is only 1-2%, meaning the entire story depends on continued M&A success. If acquisition prices rise or deal flow slows, the thesis weakens. But for investors who trust Constellation's playbook and want exposure to AI integration across 1,000+ software businesses, the recent pullback creates an interesting entry point.

Coveo Solutions (TSX: CVO)

What Coveo Does

Coveo is a pure-play enterprise AI company specializing in search, recommendations, and generative and agentic AI experiences. The company's AI-Relevance platform helps enterprises deliver personalized digital experiences across ecommerce, customer service, workplace applications, and websites.

Think of Coveo as the intelligence layer that sits on top of an organization's data, making information discoverable and actionable. When a customer searches for a product on an ecommerce site, Coveo's AI determines not just what matches the query, but what that specific customer is most likely to buy. When an employee searches for a document in a corporate knowledge base, Coveo surfaces the most relevant result based on context, role, and history.

The generative and agentic AI angle is the company's biggest growth story. Coveo's Relevance Generative Answering combines large language models with enterprise data governance, allowing organizations to deploy conversational AI without the hallucination risks and security concerns of consumer-grade tools. The company has expanded into RAG-as-a-Service and MCP (Model Context Protocol) server offerings, positioning itself as essential infrastructure for the emerging agentic AI ecosystem.

Why Buy

I'll update the text to reflect the Q3 FY2026 results from the uploaded documents, written in prose without bullets.

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Q3 FY2026 delivered the strongest subscription bookings and net bookings performance in Coveo's history, validating that enterprise AI demand is accelerating rather than normalizing. The quarter included the largest new customer land deal ever alongside major expansions with a whos-who of blue-chip names including.

What's particularly compelling is the expansion behavior among Coveo's largest customers. The top 20 accounts, which average over $1 million in ARR with none exceeding 5% of total revenue, achieved a three-year net expansion rate of nearly 150%. This expansion coincides with the broader emergence of generative AI, underscoring how large enterprises are increasingly turning to Coveo's platform to power their AI experiences. Management has emphasized that customers view Coveo as a strategic AI infrastructure partner, not a point solution.

The agentic AI opportunity creates meaningful new growth vectors. Coveo is now integrated with ChatGPT Enterprise, AWS agentic services, and Salesforce Agentforce. The company's MCP server architecture allows enterprises to ground any AI agent in secure, permission-aware enterprise data, addressing one of the most difficult challenges in enterprise AI deployment. As CEO Laurent Simoneau has explained, organizations will adopt multiple agentic platforms over time, making it imperative that those platforms rely on a common relevance and connectivity layer. Coveo is designed to be that layer.

The industrial vertical represents a particularly large opportunity. In manufacturing, aerospace, energy, and medical devices, equipment downtime costs can reach millions of dollars annually, creating compelling ROI for AI-powered diagnostics and intelligent parts commerce. Coveo's ability to unify complex, siloed engineering data with aftermarket commerce in a single platform is difficult to replicate.

The Foolish Bottom Line

Coveo is transitioning from turnaround story to growth story. The record Q3 bookings, accelerating core platform revenue, and 150% three-year expansion rate among top customers suggest the generative AI thesis is materializing into real financial performance, but key risks remain. A single large customer attrition in Q2 created a 3-percentage-point headwind to reported net expansion rate, and the stock has fallen significantly from its 2021 IPO peak, meaning rebuilding investor confidence requires consistent quarterly execution.

But with a healthy pipeline across commerce, knowledge, and GenAI solutions, and new strategic initiatives including a memorandum of understanding with the Canadian government for large-scale AI deployments, the fundamental trajectory appears positive. Best suited for growth investors who want direct exposure to enterprise generative and agentic AI adoption, with the understanding that execution must remain consistent to sustain the momentum

Final Thoughts

Canada's AI story isn't about chasing the next ChatGPT killer or betting on speculative hardware plays. It's about practical AI embedded in enterprise software that solves real business problems—supply chain optimization, vertical market automation, and intelligent search.

Each of these three stocks offers a different risk/reward profile: Kinaxis provides AI exposure with demonstrated profitability; Constellation offers diversified AI optionality across 1,000+ businesses with an undeniable capital allocation track record; and Coveo represents a direct bet on enterprise generative AI adoption.

For investors looking beyond Silicon Valley for AI opportunities, these Canadian contenders deserve a closer look.