

What is Jay Soloff's Stock of the Week ???

Applying AI to their business products is where companies can gain an edge in the AI race. eGain (EGAN) is doing just that, and revitalizing its customer knowledge business in the process. Let's take a look at this stock that just released its latest earnings.

Releasing earnings on Thursday, **eGain (EGAN)** appears to be in turnaround mode. According to CEO Ashu Roy, the company was seeing stalled deals in the first half of the year, but "we are now seeing many of those deals re-engaging and new RFPs launching with urgency and intent."

EGAN provides a customer engagement platform that provides client agents with information at their fingertips when their customers contact them with issues. The company counts among its many customers, L.L. Bean, Lands' End, and even the IRS.

eGain recently started deploying AI into its knowledge management systems, and now has a whole suite of "Knowledge + AI" products that can either be used by a customer agent, or provide self service options to customer clients who want to bypass the human interaction.

These AI enhanced tools are particularly critical at this time, as call center workers currently are experiencing both large turnover, estimated in the overall industry at over 30%, and more complex customer inquiries. An eGain sponsored survey of call center agents found that 63% of 456 surveyed said the questions they now receive are more complicated than in the past.

EGAN ranks very highly on the Quality metric of our POWR Ratings outpacing over 93.5% of all stocks in the database. The company has a stellar A rating overall, ranking in the top

15 stocks of all the stocks we track.

EGAN is trading at just 2.5x cash, and has gross margins of that top 70%. Its enterprise value (EV) to sales is just 1.29, and the company has almost no debt, very unusual for a tech company at this stage. In fact, in the latest quarter the company actually *repurchased* almost \$5 million of its common stock, and has over \$73 million in cash or cash equivalents on hand.

CEO Roy is excited about the interest being raised by generative AI, and said it is “rejuvenating interest in knowledge platforms, and this will drive demand for our products in fiscal 2024” (the company’s fiscal year ended with the recent quarter).

With all the hype around AI, this is exactly the kind of stock that draws my interest. One that is actually using AI to enhance its product offerings, and drive new contract interest.

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EGAN shares were unchanged in after-hours trading Friday. Year-to-date, EGAN has declined -35.77%, versus a 16.81% rise in the benchmark S&P 500 index during the same period.

About the Author: Jay Soloff

Jay is the lead Options Portfolio Manager at Investors Alley. He is the editor of Options Floor Trader PRO, an investment advisory bringing you professional options trading strategies. Jay was formerly a professional options market maker on the floor of the CBOE and has been trading options for over two decades.

More...

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