



Don't Miss This Outstanding Stock for Global Growth

Description

What first caught my attention was **Descartes Systems Group Inc.'s** ([TSX:DSG](#))([NASDAQ:DSGX](#)) outperformance. Its shares have appreciated 290% in the last five years and almost 33% in the last year alone!

Compare that to the Canadian market (using **iShares S&P/TSX 60 Index Fund** ([TSX:XIU](#)) as a proxy), which has appreciated 38.6% and 14.4%, respectively, in the five-year and one-year periods. Even after adding the index fund's dividend to the total return, Descartes Systems is still the winner.

Descartes Systems has also outperformed the U.S. market, using **SPDR S&P 500 ETF Trust** (NYSEARCA:SPY) as a proxy. SPY has climbed 76.3% and 16.7%, respectively, in the last five-year and one-year periods. Again, even accounting for the fund's dividend, Descartes Systems would still be the winner.

About Descartes Systems

Founded in 1981 in Waterloo, Canada, Descartes Systems provides logistics technology solutions to more than 16,000 customers in over 160 countries. It generates about 52% of its revenues from the U.S. and about 37% from Europe, the Middle East, and Africa.

enterprise information management, improve efficiency

The company simplifies complex business processes to improve the productivity, performance, and security of its clients' businesses. Some of its clients include, but are not limited to **Air Canada**, **DHL**, **Home Depot**, and **Coca-Cola**.

A track record of profitable growth

In the last 10 fiscal years, Descartes Systems has grown its revenue at a compound annual growth rate (CAGR) of 15% and its adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) at a CAGR of 20%. Its fiscal year 2017 revenue and adjusted EBITDA stood at US\$204 million and US\$70 million, respectively.

The company's growing profitability has translated to stronger cash flow generation over time. In the last nine years, Descartes Systems's operating cash flow per share has increased at a CAGR of about 17%.

On a per-share basis, Descartes Systems's earnings have increased at a CAGR of 10.3% in the last five years. The growth company's success has partly to do with its highly recurring revenue, which made up 97% of its total revenue in fiscal 2017.

Descartes Systems expects its baseline revenue, which is based on predictable, contracted, and recurring revenues, to grow 10.6% in the first quarter year over year to US\$51 million. Other sales generated in the period will further boost its revenue.

Since fiscal 2013, the company has also progressively improved its operating margin from 13.6% to 15.1%.

Investor takeaway

Descartes Systems is a promising company with above-average growth. Its revenue and profitability have increased at a double-digit rate in the last decade. The company's largely recurring revenue will help it maintain its strong cash flow generation.

Six analysts at **Thomson Reuters** estimate the company will grow its earnings per share at a CAGR of 15% for the next three to five years. At about \$32.40 per share, Descartes Systems trades at a multiple of 25, which is a reasonable multiple to pay for the high-growth shares. So, the company is a good buy today and a strong buy on any dips.

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1. Investing
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1. NASDAQ:DSGX (Descartes Systems Group)
2. TSX:DSG (The Descartes Systems Group Inc)

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