Which of These 2 Tech Companies Is the Better Buy?

Description

Are you looking to add a technology company to your portfolio? Here are two worth your consideration: **Descartes Systems Group Inc.** (TSX:DSG)(NASDAQ:DSGX) and **Computer Modelling Group Ltd**. (TSX:CMG).

Descartes, started in 1981, is a Canadian company that specializes in logistics and supply-chain management software and has customers across the globe. Computer Modelling Group, founded in 1978, is a software technology company that services the oil and gas industry.

Descartes by the numbers

Over the last quarter, Descartes's net income grew by 13.69% to $0.09 per share year over year — among the strongest growth recorded in the industry and in line with analyst expectations. It boasts a healthy net profit of 11.79% — also an industry leader. However, its return-on-equity number is only 5.75%, below the 15-20% analysts usually like to see, and lower than many of its peers. So, the company could do better at turning investor equity into profit.

Over the last three years, revenue growth has averaged 10.44% per year; that's quite a bit lower than the industry average of 24.80%. Descartes has a great debt-to-net-equity ratio of 0.16, so the company handles its debt well.

The stock is currently trading near its 52-week high of $35.35, so it isn't currently on sale. Analysts also expect the price to drop a little over the next 12 months. Descartes has a high trailing P/E ratio of 86.86, so you will pay a lot for the company's earnings should you choose to invest. Descartes does not pay a dividend.

CMG by the numbers

CMG's net income declined by 30.33% year over year in the last quarter to %0.06 per share — also in line with expectations. This sounds bad, but it was still a leader in the industry. CMG has a solid net profit number of 29.78%. Its return-on-equity ratio looks much better than Descartes's at 37.32%, so the company does a good job of turning investor money into profit. Over the last three years, CMG's revenue growth has shown little change compared to the industry average listed above. CMG has a healthy debt-to-net equity ratio of 0.62.

The stock is currently trading in the $9.00 range, closer to its 52-week low of $8.20 than its high of $11.32. Analysts expect the price to be in the high $9.00 range over the next 12 months. If they are right, there is only room for a little growth. CMG has a better trailing P/E ratio than Descartes at 32.21. Unlike Descartes, CMG pays a dividend and has a nice yield of 4.43%. The company currently pays an indicated annual dividend of $0.40 per share.

Bottom line

Is one company a better buy than the other? It depends on what you are looking for. If you are an income investor, CMG is your choice, because it's the only one paying a dividend, and a juicy one at that. Both companies boast some impressive numbers, but they also have spots where they lag the competition. You will need to decide which numbers are more important to you. Both companies have good profit margins and manage their debts well. Overall, either company could make a nice addition to your Foolish portfolio.

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1. Investing
2. Tech Stocks

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1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. TSX:CMG (Computer Modelling Group Ltd.)
3. TSX:DSG (The Descartes Systems Group Inc)

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