Is This the Secret “Wonderful Stock” Insiders Have Been Talking About?

Description

Up 6.07% in the last five days at the time of writing, tech stock **Descartes Systems Group** (TSX:DSG)(NASDAQ:DSGX) is a low-footprint, high-return option that could ride out a possible full-blown recession. This much sought-after logistics and network tech stock shot up at the start of January returning 42.7% in the past 12 months, outperforming even the Canadian tech sector, which averaged 20.9% for the same period.

But how does it compare with another tech stock that’s being doing the rounds among Jeff Bezos aficionados? An apparent favourite of the famous billionaire, **Knowles** (NYSE:KN) is an outperforming audio electronics stock focused on a range of sectors across the world from consumer electronics to communications, healthcare, and aerospace.

Seeing Knowles’ gain of 1.76% in the last five days is edifying, since it suggests solid market confidence – although not as much confidence as one might expect from so lauded a stock. That said, Knowles has been powering ahead since 2019 started, and has returned 48.4% on the year, pounding both the NYSE and the U.S. tech industry, which itself saw a laughable 8.2% return, barely beating the market.

In terms of valuation, while P/E of 24.5 times earnings is allowable in a tech stock, a PEG ratio of 11.9 times growth is unacceptably high given a poor 2.1% expected annual growth in earnings and a negative five-year average past earnings rate. However, its past-year earnings grew by over 900%, so perhaps some slack should be cut in this area.

The TSX still has the edge if you’re bullish on tech

If you’d held Descartes Systems Group for the past five years, you would have increased your investment by a huge 241% by now, and while value may not be its strong point at the moment, there’s still time to jump on this high-flying rocket of a stock.

A one-year past earnings growth of 16.4% is fairly solid, and is backed up by a five-year average earnings growth of 19.3%. While value is an issue (see a P/E of 94.6 times earnings and P/B of 5.5

times book), it's compensated for by a smooth balance sheet, with a level of debt to net worth that's been reduced over the last five years from 16.1% to a low 4.8%.

Or you can go for Bezos' own stock, the gravity-defying **Amazon** (NASDAQ:AMZN). Returning 29.4% on the year, the online shopping super stock outperformed the market and the industry, rewarding long-term shareholders with a massive 483.5% total returns in the last five years.

Up 3.17% in the last five days, Amazon's one-year past earnings growth of 232.1% and 26.6% expected annual growth in earnings denotes a high-performance tech ticker custom-built for a growth portfolio – if you can look past high market ratios, that is.

The bottom line

Knowles' debt to net worth has grown by almost 14% over the last five years, though it remains at a safe level and is well covered by current assets. However, whether it's a buy or not depends on how bullish an investor is on its competitive market. On the other hand, growth investors may want to focus on Descartes Systems Group's 27% expected annual growth in earnings, while avoiding Amazon's high P/E of 87.9 times earnings and P/B of 20.5 times book.

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1. Investing
2. Stocks for Beginners
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. NASDAQ:DSGX (Descartes Systems Group)
3. NYSE:KN (Knowles Corporation)
4. TSX:DSG (The Descartes Systems Group Inc)

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