Recession Alert: Here’s How to Protect Your Investments

Description

Many companies are empowered to compete in the current world of business because of **Descartes Systems Group Inc.** (TSX:DSG)(NYSE:DSGX). This Canadian multinational firm is among the best provider of logistics solutions, which is the main reason why the stock is a core holding of a number of investors.

The logistics software company is gaining prominence on the TSX, as the stock performed pretty well during the last downturn. There is so much potential and tailwinds in the trucking and e-commerce businesses, and Descartes definitely holds the competitive advantage.

Wide economic moat

Today investors are after companies with a wide economic moat. Billionaire and value investor Warren Buffett conceived the term “economic moat.” It is now a popular financial lingo that describes the competitive advantage that one business or company has over other companies operating in the same industry.

Descartes Systems stands tall when you talk about economic moat. Business growth has been remarkable for the past five years. Aside from its prominence in the transportation and logistics services, the company has invaded business services, distribution, manufacturing, retail, and the public sector.

Smashing numbers

The share price of this $4.0 billion company perked up by 197% since 2014. From $36.03 last December 31, DSG has risen 34.83% to $48.58 at the close of the first quarter. The latest price is nearing the 52-week high of $52.13 and a new all-time high might be in the offing.

Descartes’ growth was made possible by the several acquisitions of income generating businesses, and the buying strategy paid off handsomely. It not only allowed for an expansion of services, but also for extended global coverage. Descartes proudly boast of a 19% CAGR for the last decade.

The position of Descartes in the logistics community is already secure and ironclad. Over 160 countries are using the company's cloud-based services.

Given that Descartes tell a high-recurring revenue, fairy tale story, investors hold the logistics SaaS provider in high esteem. But despite the fantastic tailwinds, there are others who are not buying the investment thesis.

Low maintenance stock

Those who belittle DSG say that on an earnings valuation basis, the stock is quite expensive. Their advice is to wait for a pullback before taking a position. However, you're talking about a high-quality company, so it's natural to pay a premium for stability. Analysts also predict earnings to triple in the next 18 months.

But for discerning investors, Descartes is a low maintenance stock. You can comfortably watch from the sidelines as free cash flow grows in consonance with improving profit margins. The position of Descartes in the logistics community is already secure. Over 160 countries are using the company's cloud-based services.

Only a few companies that have obtained a defensible competitive advantage that can curb competition within the industry they operate. The combination of strong financials and highly-diversified client base makes the stock a great long-term investment. Clearly, there is no better upside than Descartes' economic moat.

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