



1 Cloud Tech Stock With 1,000% Growth Estimates

Description

Savvy investors should take note of this stock's after-hours earnings: **Descartes Systems Group** ([TSX:DSG](#))([NASDAQ:DSGX](#)) stock has been quickly growing its earnings through cloud-based logistics software. What was once a low-earning stock has quickly become Waterloo's top technology corporation.

Waterloo is joining Ottawa as a big draw for residual Silicon Valley funds struggling to find a home amid U.S. president Donald Trump's trade war. Ottawa's tech darling, **Shopify**, has soared 177% on the Toronto Stock Exchange the past 12 months on a massive influx of capital. Part of this surge may have resulted from the increase in [equity volatility](#) of U.S.-based corporations.

It is clear that Canada has many opportunities in the technology sector, while the U.S. and China hash out their trade differences. Investors who missed the surge in Shopify price may want to consider purchasing shares of Descartes.

Descartes is already profitable

Although Shopify is not yet profitable and suffers from negative margins, Descartes Systems has a positive profit margin of over 10%. Moreover, it has quickly increased its earnings over the past two years. A low estimate of Descartes Systems revenue growth has been about 16% per year, but that should soon pick up, along with the growing popularity of cloud-based architecture.

Although the stock does not currently offer a dividend, the quick earnings growth indicates that the stock should begin offering a dividend in the next few years. Now is the time for Tax-Free Savings Account (TFSA) investors to buy shares in Descartes. An investment now will translate into high returns from both capital gains and dividends over the next five years.

The stock's price is about to soar in the next year, as the company enters a high-growth period. In a couple of years, when the stock begins to issue dividends, existing shareholders will earn even higher returns than latecomers to the stock.

High potential for cloud-based logistics software

Cloud-based logistics software has high potential in the next few years as big data analytics increases data storage demand. Businesses will increasingly need more sophisticated software to manage supply chain logistics. Cloud-based software and infrastructure are the technology industry's next significant innovation — and, unlike social media, the cloud will never go out of style.

Corporations are increasingly turning to more manageable and affordable ways to collect and store data. Shared data storage facilities allow companies to share (literally) common data about their customers. Privacy concerns aside, there is enormous potential to profit from the growth in demand of the cloud.

Foolish takeaway

U.S. president Donald Trump's trade war with China and national security concerns over Huawei open the door for companies like Descartes Systems. Because Descartes Systems is a Canadian-borne enterprise, allies will perceive Descartes Systems to be more trustworthy than other foreign competitors.

The bottom line is that U.S. trade volatility will ultimately give companies like Descartes a competitive edge. [Foreign direct investment](#) in Canada is the highest it has been in four years. Much of that may be due to increased confidence in Canadian equities relative to the U.S. Thus, TFSA investors should invest in TSX cloud-based technology stocks like Descartes Systems.

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TICKERS GLOBAL

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

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