Is This Top TSX Tech Stock a Buy Ahead of Earnings?

Description

Earnings season is upon us, with some big names reporting and others soon to do so. **Descartes Systems Group** (TSX:DSG)(NASDAQ:DSGX) is one name that will be watched closely. Descartes will announce its first-quarter results after close of play May 27.

But this is a name that is worth a punt at just about any valuation — a growth stock with 26% share price appreciation in the last four weeks of trading, Descartes is one of the best tech stocks on the **TSX**.

An essential Canadian supply chain stock

Descartes provides tech solutions for a broad range of sectors. Most notably, these include shipping, logistics, retail, and manufacturing. Descartes' systems cover everything from document handling and flow control to dock scheduling and auditing.

As such, Descartes is a crucial component of the Canadian economy. This makes for a wide-moat play that is increasingly pertinent in the pandemic market.

Descartes has been the grease in the engine of the Canadian supply chain network throughout the pandemic. To stretch the analogy, Descartes has also been part of the engine itself. Investors should look beyond our own shores, though, to see just how diversified this name is. Descartes operations span not only the Americas, but also Asia, Africa, Europe, and the Middle East.

It's not a cheap stock. A glance at its market fundamentals is enough to tell you that. Look at its P/E of almost 100 times earnings. Or its P/B of 4.5 times book. But the nature of Descartes' business model tells a bigger story. This is a name worth owning at any price.

Its share price is on an upward trend and could defy gravity in the long-term as supply chain systems rely increasingly on software.

Is it a buy before earnings or should investors wait to buy the dip? The answer lies in how investors see this stock. Short-term traders can ride the upside and sell at its peak. But investors digging in for the long term should buy this stock for its name.

This is a quality investment that will likely continue to appreciate over time. Patient investors should buy and hold for years to come.

Descartes is also a name to think about stashing in a Tax-Free Savings Account (TFSA). Canadian investors have a compelling case for growth in digitally driven supply chain solutions. Passive income from holding stocks of this calibre can accrue tax-free for years.

A similar case can be made for adding tech stocks of this quality in an RRSP. Retirement plans are founded on steady growth, and Descartes' track record suggests longer-term dependability.

The bottom line

Descartes is a quality to name to buy at any valuation for the long term. Its business model is to supply chains what Shopify is to online retailers. Descartes various systems have been doing a lot of heavy lifting throughout the pandemic.

On the investment side, its stock has performed well. In terms of outlook, Descartes has a bright future ahead as an integral part of the Canadian economy with solid growth potential.

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