



## 2 Recession-Proof TSX Tech Stocks to Buy Right Now

### Description

The Canadian financial markets have recovered strongly, recouping the majority of its lost ground. However, economic indicators are still weak. The expectation of contraction in Canada's GDP in 2020 and the high unemployment rate could create headwinds for the markets.

So, given the uncertain outlook, I would like to put my money in those stocks that would thrive in this crisis. The pandemic has quickened the digitization process, thus increasing the demand for the products and services of the tech companies. So, I believe this shift towards digitization could benefit **Enhouse Systems** ([TSX:ENGH](#)) and **Descartes Systems** ([TSX:DSG](#))([NASDAQ:DSGX](#)). Let's look into these companies in more detail.

### Enhouse Systems

Enhouse Systems, through its enterprise software solutions, facilitates remote working, increases efficiency, and manages customer communications for its clients. Further, its solutions and services target cable operators and network telecommunication providers.

The company focuses on both organic growth and acquisitions. It has delivered over 1,500% of returns in the last decade. Meanwhile, this year, its stock has increased by over 57%. With many businesses taking their shops online, and an increased number of employees working from their homes, the demand for Enhouse Systems's services has increased.

In its recently completed [second quarter](#), its revenue grew over 58% to \$140.9 million. The revenue contribution from its recent acquisition, Dialogic, and the addition of new product offerings drove the company's revenue. Its adjusted EBITDA also increased by 81.3%, driven by top-line growth and improvement in its margins.

Despite its acquisitions, the company has maintained a healthy balance sheet. In its second quarter, the company's net cash flows from its operating activities stood at \$57.5 million. At the end of the quarter, its cash, cash equivalents, and short-term investments stood at \$168.1 million. So, the company is well capitalized to fund its future acquisitions.

With many businesses warming up to the idea of remote working, I believe Enghouse Systems could continue to produce strong sales in the future. At a forward price-to-earnings multiple of 43.3, the company is trading at a premium. However, given its strong growth potential, consistent track record, and recession-proof business model, [I am bullish on the stock](#).

## Descartes Systems

Descartes Systems provides cloud-based management solutions, which focus on improving the productivity, performance, and security of logistics and supply chain companies. The company has also adopted a two-point strategy, which includes acquisitions and internal growth, for driving its sales. Over the last five years, the company has delivered excellent returns of over 260%.

Meanwhile, in this year alone, the company's returns stand at over 36%. The increase in e-commerce sales has increased the challenges for the logistics and supply chain companies, which includes shorter fulfillment times, the requirement for scheduling and rescheduling deliveries, and pricing pressures.

So, these increased needs have raised the demand for Descartes Systems's services. In its recently completed first quarter, the company reported revenue growth of 7.3%. Its diluted EPS grew by 44.4% to \$0.13. At the end of the quarter, it had \$56 million of cash and also had access to \$340.3 million of the credit facility. So, its liquidity position looks stable.

E-commerce sales still form a smaller percentage of total retail sales in Canada, which provides robust growth potential. Also, the shift in customers' preferences towards online shopping could act as a tailwind for e-commerce sales, which could benefit Descartes Systems.

Currently, the company trades at a premium, with a forward price-to-earnings multiple of 75.8. However, given its strong fundamentals and impressive growth prospects, I believe the company could stand tall if the market crashes.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. TSX:DSG (The Descartes Systems Group Inc)
3. TSX:ENGH (Enghouse Systems Ltd.)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
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4. Newscred
5. Sharewise
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**Date**

2025/08/23

**Date Created**

2020/08/24

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