



Could This 1 Tech Stock Rise After its Earnings Event Next Week?

Description

Descartes Systems Group ([TSX:DSG](#))([NASDAQ:DSGX](#)) will release its third-quarter fiscal 2021 results on December 2. It's a Waterloo-based technology company with its focus on logistics and supply chain management. The company's stock has largely been trading within a narrow range of \$72 to \$76 for the last couple of months. Meanwhile, the **S&P/TSX Composite Index** has seen massive gains. In November alone, the index has risen by 11.4% compared to a minor 3.8% rise in DSG stock.

Let's look at analysts' estimates for DSG's upcoming earnings and find out if the event could help the company's stock rise.

Descartes Systems Group's Q3 earnings

Descartes Systems Group has continued to report positive YoY growth in its earnings for the last four consecutive quarters, despite the pandemic-related headwinds. Bay Street analysts expect the existing positive trend in its earnings to continue in the quarter ended in October 2020.

According to these estimates, DSG is likely to report earnings of US\$0.14 per share in Q3 of fiscal 2021. It would be about 26% higher on a YoY (year-over-year) basis. Previously in the second quarter of the ongoing fiscal year, Descartes Systems Group reported adjusted net earnings of US\$0.12 per share — up 20% YoY.

What could help in Q3?

In the last few quarters, Descartes Systems has [benefited](#) from a high demand for logistic services COVID-19 woes. In its second-quarter earnings report, its CEO Edward J. Ryan [highlighted](#) this fact, saying, "the last six months have cast a spotlight on the logistics industry as an essential service."

While strict pandemic-related restrictions are already lifted in most countries, international air travel still faces trouble. The demand for logistics and supply chain could continue to remain high amid international travel bans — helping Descartes Systems Group post another solid quarter.

Other expectations

In the second quarter, the company's total revenue rose by 4.4% YoY to US\$ 84.1 million. Nearly 90% of these revenues came from its services segment. The remaining 10% of revenue was from other segments, including license and professional services. In the third quarter, analysts expect DSG to report a 3.5% YoY rise in its sales to US\$ 85.9 million.

While the profitability of most companies across the globe has suffered due to the pandemic, Descartes Systems Group's profit margins have expanded during this period. In Q2 of fiscal 2021, the company reported a 12.5% adjusted net profit margin — up from 11.6% a year ago. Analysts expect this margin to rise further YoY as well as sequentially in the fourth quarter. Analysts predict its Q3 margin to be around 14.2% — much stronger than 13.5% in the same quarter of the fiscal year 2020.

Bottom line

I expect Descartes Systems Group's financials to remain solid in the coming few quarters. Experts predict business travel to go down significantly in the post-COVID world. It could keep the high demand for logistics and supply chain services intact — even after most countries lift the ban on international air travel. That's why you may want to buy its stock — with a long-term goal in mind — before it starts rallying again.

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TICKERS GLOBAL

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