



This Tech Stock Benefits From the Economic Reopening

Description

The economic reopening is underway. As the vaccination drive speeds up, experts are predicting a wave of pent-up demand. Unfortunately, this takes demand away from several tech stocks. People are less likely to stream movies, shop online or log into video conferences once the world is open and they can vacation in the Bahamas.

Which is why tech stocks across the world have severely corrected. Many are down by the double digits in just a few weeks. However, some tech companies benefit from the reopening and pent-up demand. One such stock is **Descartes Systems** ([TSX:DSG](#))([NASDAQ:DSGX](#)).

Descartes is up by more than 3% for the year at a time when most tech stocks are pulling back from record highs. A 30% plus gain over the past 12 months underscores the company's resilient business model. With the reopening, the stock should continue to deliver for shareholders.

Here's a closer look.

Solid financials

Descartes System has carved a niche for itself as a leading provider of logistics and supply chain management business processes solutions. The company's Global Logistics Networks elicit strong demand as a preferred network for connecting shippers, carriers, and logistics service providers.

This puts it at the intersection of the global supply chain. With pent-up demand and government stimulus measures, the volume of goods flowing through this supply chain should be higher than ever. That means Descartes is [insulated from the correction](#) in the rest of the tech sector.

The Waterloo-Ontario headquartered company is fresh from reporting impressive second-quarter results, whereby revenue was up 4% to \$84 million. Adjusted EBITDA was up 13% to \$34 million. The solid financial results stem from a diverse customer base and a broad product offering of supply chain management and logistics solutions.

Growth prospects

Descartes System has moved to strengthen its product offering with a \$36 million acquisition of QuestWeb. With the acquisition, the company gains access to valuable cloud-based customs and regulatory compliance solutions. It will enable logistics service providers and importers to automate processes and fulfill customs requirements.

Descartes System can grow by the double digits in 2021 as the global economy recovers and shipping networks come online. The company's earnings per share are projected to grow by 25.2% this year, more than double the industry average of 12.1%. Cash flow is also expected to grow by 29.6%, much higher than the industry average of 0.5%.

Over the past 10 years, Descartes stock is up tenfold. Much of its growth is derived from the growing adoption of technology in the global supply chain. As this trend continues, the company should be able to sustain its growth rate.

Bottom line

Tech stocks have faced a severe correction. Experts believe market demand could shift away from tech platforms as the economy reopens. However, some stocks like Descartes benefit from the rebound in consumer demand.

As more goods flow through the global supply chain, Descartes stands to benefit. The business model is insulated from the market's ongoing volatility. Meanwhile, the stock is trading at a reasonable valuation. Keep this one on your watch list for 2021.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

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