



This Tech Stock Could Surge as the World Reopens

Description

During the pandemic, nations across the world rolled out stimulus measures at a time when the economy was shut. This means families were getting paychecks from the government but had limited places to spend this excess cash.

Now, as the crisis recedes and the world reopens, families are looking to unleash this pent-up demand. As a result, global trade and commerce could see an extended boom over the next year. One beneficiary of this reopening is supply-chain software giant **Descartes Systems** ([TSX:DSG](#))([NASDAQ:DSGX](#)).

Descartes was one of the [best-performing stocks](#) last year. A 30%-plus rally amid the COVID-19 pandemic resulted in the stock powering to record highs. After a solid start to 2021, the stock has pulled lower amid a broader stock market correction. However, this cloud-based logistic and supply management solutions provider could see upside in the second half of this year.

Descartes pullback

A 6% pullback means the stock is trading at a great discount going by solid fundamentals that affirm long-term prospects and growth metrics. The mid-cap company has exposure to [multiple sectors](#) thanks to its business of providing supply chain management solutions.

Descartes remains well positioned to generate significant revenues as supply chain management moves to the cloud. The company already enjoys a stable cash flow, as a surge in e-commerce volumes continues to fuel demand for its solutions. Its year-over-year cash flow growth of 29% is much higher than that of its peers, going by the industry average of 0.5%.

Solid financials

Descartes also boasts impressive earnings-per-share growth rate of \$12.4% and is expected to grow by 25.2% this year. In contrast, the industry average stands at about 12.1%. Likewise, the company's ability to generate shareholder value cannot be overstated. Descartes stock is up 1,000% over the past 10 years.

However, the stock is not cheap right now. Going by a price-to-sales multiple of 16 and price-to-book multiple of six, investors obviously have high expectations here. However, the recent pullback and correction in the broader tech sector creates an opportunity for investors to snatch a mild discount.

As pent-up demand is unleashed, e-commerce giants and local retailers may have to bolster their last-mile logistics. Descartes could play a critical role here. That's what makes it an ideal target for growth investors in 2021.

Foolish takeaway

Niche software solution providers like Descartes have had an excellent decade. As companies invested in technology, these providers had the wind at their backs. This momentum could be sustained for the foreseeable future.

There's plenty of pent-up demand waiting to be unleashed in 2021. Household savings rates are at an all-time high. As the economy reopens and consumers unleash this cash hoard, demand for consumer goods should skyrocket, benefiting supply chain service providers like Descartes.

The stock isn't reasonably priced but is 15% lower than its all-time high. Considering the downturn in the rest of the tech sector and the positive catalysts ahead, this could be a great time to add this stock to your portfolio.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

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