Niche Investors! Buy 3 Supply Chain Stocks Before They Become Too Expensive

Description

Not all niche markets are worth investing in, at least not for the long term. Some niche markets experience occasional bouts of glory, and if you can buy and sell at the right time, you might make a decent profit. But few niche companies are poised for a growth phase spanning years instead of months. And supply chain companies, a relatively niche market segment within the tech, is one of them, thanks mostly to the expected e-commerce boom.

An expensive supply chain company

Kinaxis (TSX:KXS) is brutally expensive right now. With a price-to-earnings ratio over 500 and a price-to-book ratio of 12.5 times, it's expensive, despite a 21% decline from its recent peak. This doesn't make for a very good combination, but there are still reasons that this stock might be a good buy. Kinaxis is a leader in the digital supply chain market, and its flagship platform — i.e., Rapid Response — has established a strong presence in its respective market.

And now, when the supply chain processes are evolving at a rapid pace, with drones being considered as a viable option for the last-mile delivery and AIs predicting fleet movement for optimal fuel consumption and delivery times, an agile platform like Rapid Response might be poised to explode. The stock will likely hit the bottom of its recent slump soon, and you might consider adding it to your portfolio then.

A supply chain solutions company

Tecsys (TSX:TCS) offers four different supply chain solutions. One is dedicated specifically to the healthcare industry and suits their specific supply chain needs. There is an enterprise solution, a retail-oriented solution, and a "streamline" solution that focuses on warehouse and transportation management.

Tecsys is only slightly less expensive compared to Kinaxis, but there is a difference in the trajectory this stock is taking. Apparently, Tecsys is done with the cool-off period, and it has already started growing again. The stock has risen over 35% since mid-June. It also pays dividends, but the 0.48% might not augment the returns too much.

A consistent growth stock

Descartes (TSX:DSG)(NASDAQ:DSGX), the most adequately priced stock of the three, is also the most reliable growth stock. It has been rising quite consistently for the last five years and has returned almost 240% to its investors. The 10-year CAGR of 30% is enough to triple your capital in fewer than five years. The company is based in Waterloo and focuses mostly on logistics and supply chain management.

Descartes's solutions are comprehensive enough for a more holistic supply chain management. It covers aspects like B2B communication, regulatory compliance, trade intelligence, fleet routing, etc. It also offers built-in e-commerce shipping and fulfillment solutions, making it ideal for the rapidly growing global e-commerce sphere.

Foolish takeaway

As tech stocks, the three are both expensive, relatively more volatile compared to more stable industries, and reliant upon several external factors. The world economy *is* on the mend, and as demand for goods rises, so will the need for better supply chain solutions. As tech-oriented supply chain companies, these three are ideally positioned to take advantage of this organic recovery and e-commerce growth.

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2. TSX:DSG (The Descartes Systems Group Inc)
3. TSX:KXS (Kinaxis Inc.)
4. TSX:TCS (Tecsys Inc.)

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