



This Tech Stock Turned Has \$1,000 Into \$75,500 in 16 Years

Description

Tech stocks have a propensity to be multi-baggers. Growth in this industry has just been far higher than other sectors over the past decade. However, some of the most famous tech stocks are already so overvalued that their future returns are likely to disappoint.

By comparison, underrated tech stocks that get barely any attention could deliver stunning returns through organic growth alone. Logistics software company **Descartes Systems** ([TSX:DSG](#))([NASDAQ:DSGX](#)) is a good example of this.

Descartes is one of the best-performing stocks in the Canadian cloud computing sector. The stock is up by more than 35% year to date. However, its long-term performance is even better. Investors who put just \$1,000 into this stock in 2004 are now sitting on \$75,500. That is a compounded annual growth rate (CAGR) of 29% over an astonishing 17 years!

This year, tech stocks have been punished. Descartes Systems, however, has held steady. The stellar performance stems from investors taking note of the company's growth metrics amid strong demand for its [cloud-based solutions](#).

Descartes Systems has carved a niche for itself in the global supply chain. Its logistics software is seen as a critical element of the fight to meet rebounding consumer demand across the globe. That rebound is clearly reflected in the company's financials.

Improving financials

Strong demand was the catalyst behind a 24% increase in revenues to \$108.9 million in fiscal Q3 2022. Service revenues jumped 89% to \$97.2 million, as net income increased 92% to \$13.3 million. Earnings per share doubled to \$0.30 a share from the \$0.15 delivered in the same quarter last year.

One of the most appealing aspects of Descartes's business model is the fact that its service is sticky and essential. The platform has incredible retention rates, which is also reflected in its steadily expanding stream of recurring revenue. Over the past year, the company registered US\$348.7 million

in annual revenue (CA\$447 million), 89% of which was recurring from service subscriptions.

The company also saw its EBITDA margin expand to 40% and its cash hoard surge to \$170 million. In short, the fundamentals are perfectly intact going into 2022.

Valuation

Descartes stock trades at a [price-to-earnings](#) multiple of 56. That's in line with its long-term average. The valuation is also reasonable when compared to other tech stocks in this environment.

Annual growth in net income has ranged from 50-60%, so the P/E-growth, or PEG, ratio is roughly one — another sign that this stock is fairly valued.

Over the past month, Descartes stock has plunged 10%. The pullback acts as an ideal entry point for long-term investors. The company is well positioned to outperform, having already posted a 250% growth over the past five years.

Bottom line

Descartes is a rare breed. After delivering stellar returns consistently for nearly two decades, it's still on track to keep growing. If you're looking for a stable, long-term growth bet this stock should be on your radar.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. vraisinghani

Category

1. Investing
2. Tech Stocks

Date

2025/08/21

Date Created

2021/12/23

Author

vraisinghani

default watermark

default watermark