



Which Tech Stock Is the Better Buy: Constellation Software Inc. or Thomson Reuters Corp.?

Description

Constellation Software Inc. ([TSX:CSU](#)) and **Thomson Reuters Corp.** ([TSX:TRI](#))(NYSE:TRI) are two of the largest technology companies in the world, and both of their stocks represent very attractive long-term investment opportunities today.

However, the laws of diversification state that we cannot buy both, so let's compare each company's earnings results in the first half of fiscal 2015, their stocks' valuations, and their dividends to determine which is the better buy today. All figures are in U.S. dollars.

Constellation Software Inc.

Constellation Software is one of leading providers of software and related services to a select group of public and private sector markets. Its stock has risen over 65% year-to-date, including a decline of about 4.5% since it announced its earnings results after the market closed on July 29 for its three- and six-month periods ending on June 30, 2015. Here's a summary of six of the most notable statistics from the first half of fiscal 2015 compared with the first half of fiscal 2014:

1. Adjusted net income increased 30.5% to \$154 million
2. Adjusted earnings per share increased 30.6% to \$7.29
3. Total revenue increased 6.9% to \$866.4 million
4. Adjusted earnings before interest, taxes, and amortization (EBITA) increased 33.7% to \$192.4 million
5. Adjusted EBITA margin expanded 450 basis points to 22.2%
6. Net cash flows from operating activities increased 23.1% to \$176.8 million

At today's levels, Constellation Software's stock trades at 35.6 times fiscal 2015's estimated earnings per share of \$16.02 and 29.6 times fiscal 2016's estimated earnings per share of \$19.29, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 40.3.

In addition, Constellation Software pays a quarterly dividend of \$1.00 per share, or \$4.00 per share

annually, giving its stock a 0.9% yield at current levels. It is also worth noting that the company has maintained this quarterly rate since it first began paying dividends in April 2012.

Thomson Reuters Corp.

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals. Its stock has risen over 13% year-to-date, including an increase of over 9% since it announced its earnings results on the morning of July 29 for its three- and six-month periods ending on June 30, 2015. Here's a summary of six of the most notable statistics from the first half of fiscal 2015 compared with the first half of fiscal 2014:

1. Adjusted net income decreased 3.3% to \$763 million
2. Adjusted earnings per share decreased 1% to \$0.96
3. Total revenue from ongoing operations decreased 3.3% to \$6.08 billion
4. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased 2.2% to \$1.66 billion
5. Adjusted EBITDA margin expanded 30 basis points to 27.3%
6. Net cash provided by operating activities increased 18.1% to \$1.17 billion

At current levels, Thomson Reuters's stock trades at 26 times fiscal 2015's estimated earnings per share of \$2.04 and 23 times fiscal 2016's estimated earnings per share of \$2.31, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 45.9.

Additionally, Thomson Reuters pays a quarterly dividend of \$0.335 per share, or \$1.34 per share annually, giving its stock a 3.3% yield at today's levels. Investors should also note that the company has increased its dividend for 22 consecutive years.

Which tech stock is the better buy today?

After directly comparing Constellation Software and Thomson Reuters, I think Constellation Software represents the better long-term investment opportunity today. Both stocks trade at attractive forward valuations, and Thomson Reuters has a higher dividend yield, but Constellation Software has been growing at a much higher rate as its earnings results in the first half of fiscal 2015 show, giving it the edge in this match-up.

Foolish investors should take a closer look and strongly consider beginning to scale in to positions today.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:TRI (Thomson Reuters)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:TRI (Thomson Reuters)

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Date

2025/08/23

Date Created

2015/09/28

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