

Why Constellation Software Inc. Is up Over 7%

Description

What?

Mission-critical software solutions provider **Constellation Software Inc.** ([TSX:CSU](#)) is up over 7% in early trading on Tuesday following its announcement that its wholly owned subsidiary N. Harris Computer Corporation (“Harris”) has agreed to acquire the assets and shares of Acceo Solutions Inc. for \$250 million.

So what?

Acceo Solutions is one of Canada’s leading IT solutions companies, specializing in software design, implementation, integration, and support for the management, accounting, and e-business development fields, and it also offers consulting, payment solutions, and technical services.

In its trailing 12-month period ended on November 30, 2017, Acceo’s estimated and unaudited revenue was approximately \$116 million, so Constellation is paying just 2.16 times sales for the company; I think this is a very good deal, and Constellation went on to note that it expects to finance the acquisition on a standalone basis.

Commenting on the acquisition, Jeff Bender, Harris’s CEO, stated the following:

“Harris is looking forward to building upon our decade-long presence and commitment in and to Quebec and is excited to continue the journey of one of Quebec’s largest software enterprises ... The Acceo software solutions are supported by a group of experienced and dedicated employees as well as relied upon by many loyal customers — we will be engaging with both to support them now and into the future.”

Now what?

Constellation has been on a shopping spree for quite a while now, as it closed 12 acquisitions for aggregate cash consideration of US\$62 million in the first quarter of 2017, 16 acquisitions for aggregate cash consideration of US\$71 million in the second quarter of 2017, and 14 acquisitions for aggregate cash consideration of US\$52 million in the third quarter of 2017; however, as you can see, the total price tag of the 42 acquisitions noted above is just US\$185 million, so the \$250 million acquisition of Acceo is a much larger splash than usual for Constellation, so I think that’s why the stock is having such a positive reaction.

Including reinvested dividends, Constellation’s stock has returned more than 55% since I’d first recommended it on [June 18, 2015](#), and more than 18% since I last recommended it on [July 28, 2017](#), and I think it’s still a strong buy today, so take a closer look and consider beginning to scale in to long-term positions over the next couple of trading sessions.

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