



What Are the 3 Largest Canadian Technology Stocks?

Description

While the TSX index does not include any mega-cap technology stocks that rival big American companies, there are some large-cap technology stocks that deserve investor attention. Let's take a look at the three largest tech stocks in Canada as measured by market capitalization.

Shopify

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) leads the Canadian tech sector with a market cap of \$45 billion and continues to grow. This stock has experienced incredible momentum and has risen 117% year to date.

While the subscription business model for Shopify is straightforward, it is the other side of the business that is drawing new interest from analysts. Shopify Plus is a premium offering that targets enterprise e-commerce and powers some of the largest brands in the world. Shopify Plus now accounts for 26% of monthly recurring revenue and is an important piece of the growth story for Shopify.

Shopify continues to drive potential profits back into the company to [fuel growth](#). This will support new opportunities, such as international growth.

Constellation Software

Constellation Software ([TSX:CSU](#)) has a very clear business model and is the second-largest tech stock in Canada with a market cap of \$25.6 billion. It acquires, manages, and builds software solutions for vertical markets. While it is becoming more difficult to acquire software companies due to increased competition, Constellation Software has acquired more than 260 software startups since the company was founded in 1995.

Constellation Software employs a "Warren Buffett" [approach to acquisitions](#). It looks to buy a company with an exceptional manager, does not engage in unfriendly takeovers, and does not take over the day-to-day operations of a company. It is this approach that has allowed the company to grow and build

goodwill in the industry so that acquisition targets are comfortable joining Constellation Software.

While Constellation Software pays a small dividend, it is the acquisition growth strategy that has allowed the company to deliver such high returns to investors.

CGI

CGI ([TSX:GIB.A](#))([NYSE:GIB](#)) started out as an IT consulting firm but now makes the majority of revenue from IT outsourcing, systems integrations, and business consulting. It is the third-largest tech stock in Canada with a market cap of \$24.5 billion.

The growth strategy for CGI is a mix of organic growth and acquisitions. IT outsourcing has become a big driver of organic growth for the company with over 50% of revenue coming from outsourcing. At the same time, CGI has a history of using a buy-and-build strategy to drive growth. CGI currently has over \$500 million in cash reserves and can wait for the right opportunity to make acquisitions.

Investors should expect CGI to continue creating shareholder value, as it plans to double in size over the next five to seven years. This will likely be accomplished by continued organic growth combined with some smart and well-timed acquisitions along the way.

Investor takeaway

The TSX index is grossly under-represented by technology stocks, and investors should consider Shopify, Constellation Software, and CGI to gain exposure to the technology sector in Canada. These three companies have very different business models but have all produced returns for investors that consistently beat the broad market.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:GIB (CGI Group Inc.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:CGI (Canadian General Investments, Limited)
4. TSX:CSU (Constellation Software Inc.)
5. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred

3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Tech Stocks

Tags

1. Editor's Choice

Date

2025/07/21

Date Created

2019/06/13

Author

smulligan

default watermark

default watermark