# This Stock Turned $10,000 Into $404,655 — and Still Has Room to Grow

## Description

It's been a fantastic decade for **Constellation Software Inc.** (TSX:CSU) shareholders, and many investors haven't been paying attention because the company leads such a low profile.

Led by CEO Mark Leonard, Constellation has a simple — yet powerful — strategy. It uses Warren Buffett-inspired investing principles to acquire small-to-medium sized software companies, with Constellation's management team maximizing profitability by consolidating non-core tasks like billing, and payroll. What's left is a boring software company delivering steady profits that are reinvested in other opportunities.

Constellation acquisition targets are not high-growth companies on the cusp of something huge. Rather, targets mature operators that have a secure position in a niche part of the market.

As these companies don't have much organic growth left, the key is to acquire them at the right price. Leonard is a fantastic acquirer that always ensures that the deal is a good one for Constellation's shareholders.

Since its 2009 IPO, Constellation has been one of the TSX's best performers. In fact, you won't believe how much shares have gone up.

# A fantastic investment is an understatement

A $10,000 investment made in Constellation a decade ago is worth more than $404,000 today if you reinvested your dividends the whole time: $404,655 to be exact.

No, that's not a typo.

Shares have increased from approximately $35 each back in September, 2009 to close to $1,300 each as I type this. That's a 40 times return on investment once we add in dividend reinvestment.

It's even more impressive when looking at it from an annual return perspective. Constellation shares

have delivered an average return of 44.8% each and every year for a decade. There are hundreds of TSX stocks that haven't even done that in the last ten years, never mind doing it every year.

The best part? Constellation shareholders are convinced the party will keep going. Here's why these folks believe the company can continue to post terrific returns going forward.

# No limit to growth

Even though Constellation is a massive company at this point with a market cap of more than $27 billion, it still has ample potential to grow.

Just look at results over the last year as an example. In its most recent quarter, Constellation reported revenue of US$846 million, a 12% increase over the same period last year. Adjusted net earnings increased a similar amount, rising 13% to US$136 million. That's still impressive growth.

The only real limit to Constellation's growth potential is finding acquisition candidates. There are thousands of small software companies out there; there's no issue with the quantity of potential prizes.

The only issue could be getting a solid return on investment and investing enough to move the needle. Constellation's return on invested capital has hovered around the 30% mark for years now, and it's unlikely the company will do a deal if it doesn't meet that threshold.

Leonard himself has stated if the company can no longer make acquisitions in the software space, it'll likely pivot to another industry that offers excellent long-term returns. With his and Constellation's history of excellence as acquirers, it's hard to bet against him.

# The bottom line

Constellation has been a fine investment over the years, and it's easy to see how the company can continue to post nice growth numbers going forward. Shareholders continue to be bullish, and for good reason.

Shares have been expensive for years based on traditional value investing metrics. Don't let that dissuade you. As long as Mark Leonard remains in charge, the company looks poised to continue delivering excellent returns.

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**Date**
2025/07/04
**Date Created**
2019/09/28
**Author**
nelsonpsmith

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