



This Little-Known Canadian Stock Turned \$10,000 Into \$700,000!

Description

For investors, “10-baggers” are often seen as the holy grail of successful stock market plays. Increasing your investment’s value by 1,000% can be a ticket to lifetime wealth if you achieve it in a short time frame, and for many investors, such plays are among the best they’ll ever make.

However, it’s possible to do much better. Every so often, you see a stock that rises so much, its shares practically defy gravity — a stock whose meteoric rise turns an initial \$10,000 investment into nearly a million dollars. Usually, such plays are found in the domain of penny stocks, and their results are more a matter of luck than competent management. However, there is one TSX stock that, since 2006, has managed to turn \$10,000 into \$700,000, not because of a speculative frenzy or a freak accident mineral find, but because of a wise and successful acquisition strategy.

Constellation Software

Constellation Software ([TSX:CSU](#)) is a Canadian software company that has seen incredible success over the years by [buying and growing quality startups](#). The company’s strategy is simple: identify companies that can be bought cheap with proven results in well-defined niches. Most of its acquisitions are for \$5 million or less, although they can go higher, with a recent one closing for \$250 million.

Constellation’s strategy has paid off big time over the years. In Q2 2011, the company earned just \$1.52 per share compared to \$3.85 in its most recent quarter. As you can probably imagine, that has sent the share soaring: since April of 2011, the stock is up 1,200%; since it went public, it’s up a whopping 7,500%! Even if you missed the IPO price, you’d have been able to realize a return of 7,000% if you’d bought relatively early in 2006.

An unusual business model

One of the secrets to Constellation’s success has been its focus on public sector-oriented companies. Many of Constellation’s companies provide software solutions for government buyers, which provides

an unusually stable source of revenue. Additionally, the company has a focus on acquiring proven and profitable companies, which is a departure from the Silicon Valley norm of sinking piles and piles of cash into investments that may never become profitable.

Whatever the reasons for Constellation's meteoric rise, there's no doubt that it has been just that. In addition to Constellation's soaring stock price, it also [pays a dividend](#) — a testimony to the reliability of its earnings and its financial stability in an industry that's well known for burning through cash.

Foolish takeaway

Constellation Software is not the best-known Canadian tech company, but it arguably deserves to be. Not only is the company consistently profitable and financially sound, it's also been a phenomenal growth story that has enriched investors over the years. Nobody can say for sure how long this company's rise will last, but it's undeniable that it's been wild.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Tech Stocks

Tags

1. Editor's Choice

Date

2025/09/18

Date Created

2020/01/31

Author

andrewbutton

default watermark

default watermark