BUY ALERT: This Canadian Stock Has Beaten Microsoft, Amazon, and Google!

Description

For years, America’s top tech stocks have been driving massive amounts of shareholder value. With **Microsoft**, **Amazon**, and **Alphabet** (the parent of Google) each having reached $1 trillion market caps, it’s hard to argue with their results. At the same time, these companies have matured and are unlikely to deliver future returns similar to their past ones.

As Warren Buffett says, “size is the anchor of performance.” So, if you’re hoping to find a stock similar to Amazon in its early days, it’s best to look among smaller caps.

In this article, I’ll review a stock that just might fit the bill. It’s a stock that has outperformed Microsoft, Amazon, and Google over the past decade — and may continue to do so in the future. If you’d bought this stock around the time of its IPO, you’d be up over 7,000% today. And incredibly, it may still have more gains ahead of it.

Constellation Software

Constellation Software (TSX:CSU) is a diversified tech company that focuses on enterprise software. The company has grown largely through acquisitions, having built a portfolio of businesses that have grown under its ownership. Most of the company’s acquisitions have been small, with the average one being in the $5-$10 million range.

However, the company focuses on buying out companies that are already profitable or at least have strong profit prospects. This gives it an edge in a tech scene that too often funnels money toward fast-growing but money-losing operations.

A market-beating growth streak

The first thing worth mentioning about Constellation is its incredible capital gains. Since it went public in 2006, it has risen 7,949%, which is better than Amazon, Google, or Alphabet in the same period. If you’d invested just $1,000 in Constellation at its IPO date and held until today, your position would be worth over $70,000.

Solid earnings growth

It's one thing to point out that a stock has gone on an incredible run, but quite another to say that it will continue to do so. In Constellation's case, that could very well happen. The stock has a P/E ratio of 55, which is high, but not incredibly high for a company that has grown so quickly. Over the last thee years, Constellation nearly doubled its EPS from $9.76 to $17.9. As a result, its PEG ratio (using *Thomson Reuters's* estimates) is just two.

Unbelievable profitability

A final point worth mentioning about Constellation is that it is unbelievably profitable. Based on the trailing 12-month period, it has a profit margin of 10% and an ROE of 42.9%. These are both incredible numbers for a relatively young tech company. At the same time as the most hyped IPOs in the world are posting $5 billion losses, Constellation is cranking out ROE of nearly 50%.

The company is so profitable, it's even able to pay a dividend, with a payout ratio of just 20%! It's definitely one of the better TSX tech stocks to keep your eye on this year.

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