



## Market Rally 2020: How TFSA Investors Can Turn \$69,500 Into \$5 Million

### Description

The COVID-19 pandemic has resulted in volatile markets. Equities have been swinging wildly as global economies have come to a standstill due to lockdowns and business closures. The **iShares S&P/TSX 60 Index ETF** fell 36% between February 19 and March 23 this year. It has since recovered by 26%.

However, the stock market is still down 19% from record highs. This bear market gives TFSA (Tax-Free Savings Account) investors a chance to create massive wealth in the long term.

The maximum cumulative TFSA contribution limit in 2020 stands at \$69,500. As withdrawals from a TFSA are tax-free, you should allocate funds to high-growth stocks that can multiply your investments over time.

### Constellation Software is an ideal TFSA investment

The Canada-based tech company **Constellation Software** ([TSX:CSU](#)) has managed to crush equity markets ever since it went public in May 2006. The stock [has gained a massive](#) 7,280% since its IPO. This means an investment of \$69,500 in this company back in 2006 would have risen to a staggering \$5 million today.

Constellation Software is not a traditional tech company. It has long focused on inorganic growth to expand revenues. It acquires, manages, and builds vertical market software businesses. The acquired businesses provide mission-critical software solutions to enterprises and address specific needs.

Constellation Software focuses on acquiring companies that are growing revenue at a fast clip with high-profit margins. This has allowed CSU to generate significant cash flows and expand revenue at an aggressive pace over the years.

CSU [generates sales from](#) software license fees, maintenance and other recurring fees, professional services, and hardware sales. Its subscription revenue is comprised of license fees that it charges for the use of software products. These are generally licensed under multi-year or perpetual agreements.

Maintenance and other recurring revenue consist of fees charged for customer support on software products post-delivery. Professional service generates sales by charging fees for integration services, product training, and consulting. Hardware sales include the resale of third-party hardware that is part of CSU's customer solutions. This segment also includes the sale of customized hardware for clients.

Due to this robust business model, Constellation Software has ensured a high customer retention rate. Its portfolio of mission-critical software solutions makes switching between service providers almost impossible. Further, subscription revenue results in a steady stream of recurring sales, helping the company offset business cycle volatility, making it a top pick for your TFSA.

## The Foolish takeaway

Constellation Software has managed to grow at a stellar rate over the years. In 2019, the company reported sales of \$3.49 billion, a growth of 14% year-over-year. Despite the ongoing COVID-19 impact, analysts expect sales to rise 17.3% to \$4.09 billion and earnings to rise 24% to \$35.41 in 2020.

The company managed to hold its own during the great recession of 2008-09 as well, making it a must-buy for TFSA growth investors. However, this is just an example of a top-quality company with strong fundamentals and increasing cash flows.

TFSA investors should not allocate all their funds in just a single stock. They need to identify similar growth companies that have a strong business model and invest with a long-term view.

### CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

### TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)

### PARTNER-FEEDS

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