



\$1,000 in Constellation Software (TSX:CSU) in 2009 Would Be Worth This Much Today

Description

Regret is a part of an investor's life. Even the most successful and savvy punters miss out on some life-changing bets along the way. One such [life-changing opportunity](#) could have been **Constellation Software (TSX:CSU)** stock.

Constellation Software stock has been one of the top performers in Canada for much of its existence. Its founder is a former venture capitalist who's dedicated much of his career to identifying and acquiring the best enterprise software companies across the world. The company is built with a singular mission: wealth creation.

The relentless ascendance of Constellation Software stock is a clear indication that the team has accomplished this mission. Constellation Software stock is up a whopping 4,716% since June 2009, which represents a compounded annual growth rate of 42% over 11 years.

To put that into context, if you had invested \$1,000 in the stock in 2009, it would be worth \$48,160 today. That's enough to place a down payment on a house in many parts of the country.

Plenty of investors, including myself, missed out on this unbelievable run. However, I think it's worth considering if Constellation or any other stock presents a similar opportunity today.

Constellation Software stock

Investment companies tend to have broader growth prospects. They're not limited by innovation or industry size. Instead, their only limitation is opportunity. In other words, the company won't stop growing until there are no more small software companies left to acquire, which means the runway for growth is limitless.

However, the runway does get narrower over time. The law of large numbers implies that Constellation's growth will slow over time, and the stock price clearly reflects this. Constellation Software would have delivered a 1,700% return between 2009 and 2015.

However, the return from 2015 to 2020 was just 200%. Investors should expect growth to slow further over the next five years.

This is because the company is already huge and it takes a lot more to move the needle. The team could acquire a great company and turn it into a unicorn (\$1 billion valuation), but it would only add 3% to Constellation's market capitalization.

Investors are probably better off looking for smaller alternatives.

Alternative stocks

Smaller companies driven by acquisitions are probably better options for growth-seeking investors. **Alaris Royalty Corporation**, for example, has a broader investment universe and is a lot smaller than Constellation Software.

The company is currently worth \$400 million and targets established small and medium-sized firms for funding or acquisition. A solid dividend stock with decent returns over the past decade is currently beaten-down to a historically low valuation, which could amplify potential returns for investors willing to bet on it today.

For tech investors, **Open Text** and **Absolute Software** provide ideal opportunities. Both companies target enterprise customers and have expanded their platform through savvy acquisitions in recent years. In fact, both stocks have been multi-baggers over the past five years.

Bottom line

Constellation Software stock has delivered incredible returns over the past two decades. However, growth could be slower in the years ahead.

Investors should probably focus on smaller tech conglomerates with more room for expansion.

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