



## Why Constellation Software (TSX:CSU) Stock Is the Best Investment of All Time

### Description

**Constellation Software** ([TSX:CSU](#)) is arguably the best investment of all time. In 2006, shares were priced at \$20. Today, they're above \$1,500. A \$15,000 investment would have become \$1.2 million in just 14 years.

Few businesses can match this rise, even other [tech](#) darlings. For most of the past decade, Constellation was a faster rising stock than **Amazon**, now the largest publicly traded company in the world.

But here's the thing: Constellation is still only worth \$33 billion. The days of growth are *not* over. If you didn't get in on this incredible stock at the start, now is your chance to correct that mistake.

### This is special

The same things that made Constellation such a good investment over the past 14 years will fuel its continued rise. The secret weapon is at the core of how the company [structures](#) its business.

As its name suggests, this stock is a software company. But it's not just any software. Constellation focuses exclusively on niche products that enable mission-critical business processes. Let's break that strategy down.

Niche products sound unattractive. Wouldn't that limit the size of the opportunity? Yes, but it also limits competition. By going niche, Constellation ensures that its customers have very few alternatives to choose from. In some cases, there isn't a single competing product. Even if customers wanted to switch, they couldn't.

Mission-critical products, meanwhile, are exactly what they sound like. They allow customers to execute their most important functions. This makes it dangerous to tinker with, as botched results could have a calamitous effect on the business. Even when times are tough, customers are nervous to ditch these products.

For these reasons, Constellation commands extreme pricing power over its customer base. Additionally, it regularly posts industry-leading contract renewal rates. These factors help it generate annual returns on capital in excess of 30% year after year.

## Should you buy Constellation stock?

There's no doubt that CSU stock is expensive. But sometimes, you get what you pay for.

Right now, shares trade at 6.9 times sales. That's a premium versus its five-year trailing average of 5.4 times sales. But at any point over the past 14 years, even at its peak valuation, Constellation has been a buy. The growth and return profile of its business strategy is just too powerful to keep up with.

The best part is that this business is recession resistant. In fact, the worse the economy gets, the better this stock might do. That's because a lot of its software is focused on automation. When times are good, companies invest in further automation causes. When times are bad, these investments are maintained in order to reduce labour costs.

Constellation stock isn't cheap, but it's a rare example of a long-term compounder that only needs to rinse and repeat its proven strategy. The return profile will likely experience diminishing marginal returns in the decade to come, but with a price tag of only \$33 billion, there should be plenty of growth still ahead.

If you're nervous about the economy but want to remain invested in high-growth stocks, this company should top your buy list.

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