



## Constellation (TSX:CSU) Stock Can Turn \$11,628 Into \$1 Million

### Description

**Constellation Software Inc.** ([TSX:CSU](#)) can make you a millionaire. Just ask its long-term shareholders.

In 2006, CSU shares were priced at \$18. Today, they're above \$1,500. An \$11,628 investment would now be worth a touch over \$1 million.

The good news is that the ride isn't over. The same factors that made Constellation so successful continue to drive additional gains. With a market cap of \$32 billion, the biggest days of growth are over, but if you maintain a long-term mindset, you can still double, triple, or even [quadruple](#) your investment with this proven stock.

### Here's the secret

If you want to understand Constellation's success, you only need to read its last shareholder [letter](#), which was published in 2018.

"For competitive reasons we are limiting the information that we disclose about our acquisition activity," CEO Mark Leonard began. "We believe that sharing our tactics and best practices with a host of Constellation emulators is not in our best interest. We have discussed the matter with many of the large Constellation shareholders, all of whom (despite grumbling) eventually agreed."

This is a strange statement. Few businesses brag about becoming *less* transparent.

The company hasn't released a shareholder letter since. It also cancelled all public conference calls. What's going on here?

While Constellation is a software provider, it's not one of the big players. The company specializes in small-market, niche products. Some have just a few dozen customers. By going niche, Constellation reduces competition, which improves customer retention as there are few alternatives to switch to.

The company now has more than 100 products, but it's constantly on the hunt for more. It uses its vast network to target and acquire additional niche software businesses.

Because each individual market is small, there's not much bidding pressure. Constellation scores incredible deals, sometimes making all of its money back in the first year post-acquisition.

But Constellation's massive success last decade caught the eyes of many who wish to emulate this strategy. To keep competition to a minimum, executives decided to cancel public events and letters, as they may indicate where the company's acquisition strategy is headed, attracting additional suitors that would drive up purchase prices.

## Buy Constellation stock?

In 2008, Constellation posted returns on capital of 28%. In 2017, the return profile was even higher at 29%. Going silent has allowed the company to continue this incredible success. Since the start of 2018, shares have *doubled* in price.

The market simply doesn't know how to value this company. Constellation is one of the most successful stocks in history, yet few people know of the company. That keeps the valuation multiple perpetually low, which means the fundamentals drive huge price action year after year.

On the surface, it's difficult to say this stock is cheap. Shares now trade at 74 times earnings. But in 2015, shares traded at 79 times earnings. If you bought then, you would have *tripled* your original investment.

Constellation stock is pricey, but in this case, you get what you pay for. That means a proven winner with a differentiated business model that drives continuous returns on capital.

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1. TSX:CSU (Constellation Software Inc.)

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