



Forget About Shopify (TSX:SHOP): Double Your Money With This Tech Stock

Description

Shopify Inc ([TSX:SHOP](#))([NYSE:SHOP](#)) is a terrific stock. It went [public](#) at \$35 in 2015. Today, shares are above \$1,300 at writing.

This company was able to double shareholder value again and again and again. This was a better stock than **Amazon** or **Tesla**!

With a market cap of \$160 billion, Shopify's biggest days of growth are over. It's simply the law of large numbers. It was easier for the company to [double](#) in size when it was worth a few billion dollars.

To be sure, Shopify is still a great long-term investment, but if you want to double your money quickly, you'll need to find something smaller. One Canadian stock in particular looks particularly appealing.

Meet the master

Constellation Software Inc. ([TSX:CSU](#)) was founded in 1996 by Mark Leonard, a former venture capitalist. From day one, the company took an acquisition-first approach. That's been the driving force behind the stock's incredible rise.

Here's how it works. Like Shopify, Constellation is a software company, but it doesn't make anything you've ever heard of. Instead, the company makes niche products with very narrow use cases. For example, it has solutions for timber logistics, pharmaceutical manufacturing, and accounting practices.

Going niche has some clear benefits. From the start, Shopify decided to empower small-scale entrepreneurs, not just big box retailers. This empowerment has fuelled its rise. For Constellation, niche software allows it to reduce competition, improve customer retention, and maintain pricing power.

That first item, reduced competition, is critical. Shopify is focused on growing its platform user base. Constellation is focused on acquiring new businesses to grow its product portfolio. In order to achieve low purchase prices, the company keeps a low profile in an attempt to limit competing bids.

So, Constellation wants to stick with small products to reduce competing alternatives, but it also seeks to reduce competition when it comes to growing its portfolio.

Ditch Shopify for this stock

Since going public in 2006 at \$18, Constellation shares have rocketed higher, reaching \$1,500. That rise is even more impressive than Shopify, but there's one difference: Constellation is still *one-fifth* the size of Shopify.

Both companies will continue to grow simply through business as usual. Shopify will continue to scale its platform. Constellation will continue to acquire and augment its large portfolio of niche software solutions.

However, the law of large numbers will catch up with both companies. Eventually, all growth slows, even if it remains positive. If I had to bet on the growth runway for each stock, I'd opt for the \$35 billion company versus the \$160 billion company.

Of course, valuation also plays a heavy role. Constellation stock currently trades at seven times sales. Shopify trades at 55 times sales. Over the long run, both businesses will likely post similar profit margins, so these multiples are fully predictive of growth.

Should you pay five times the market cap and nine times the valuation for Shopify? Not when you can put that money in another proven winner that has plenty of growth ahead of it.

While Shopify will remain a promising growth company, Constellation is the better stock.

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