



## 2 TSX Growth Stocks for Your Child's RESP Education Fund

### Description

Are you just starting an RESP for your young child? If so, you'll have a long investment horizon to build an education fund. Since you have the time to ride out market gyrations, you should consider growing the education fund by compounding your money in solid growth stocks.

Here are [two growth stocks](#) for you to consider.

### Enghouse Systems

**Enghouse Systems** ([TSX:ENGH](#)) provides enterprise software solutions with a focus on remote work, visual computing, and communications. It grows organically and funds global acquisitions with strong cash flow generation.

It is among the top 30 best-performing stocks on the **TSX** based on the past three-year returns. The tech stock just retreated more than 20% from its all-time high, making it a good time to start buying into the solid growth stock.

In the past five years, Enghouse increased its revenues by 12% per year to \$504 million. Notably, this growth had been bumpy. In some years, its revenues climbed by 5%. In the past year, despite the pandemic, its revenues managed to skyrocket by 30%. This bumpiness is primarily based on the timing of its acquisitions.

For example, in January 2020, for about \$52 million, Enghouse acquired Dialogic, which added annualized revenues of about \$58 million.

Over the past five years, the revenue growth translated to EBITDA growth of 19% per year to \$141 million, net income growth of 26% per year to \$99 million, and adjusted earnings-per-share (EPS) growth of 25% per year.

Specifically, Enghouse was able to expand its margins to become even more profitable. In the latest fiscal year that ended in October, its EBITDA and net margins were incredibly high at 28% and 19%,

respectively.

## Constellation Software

**Constellation Software** ([TSX:CSU](#)) is also one of the top 30 best-performing stocks on the TSX. It's much larger than Enghouse, though, with a run-rate revenue of about \$5 billion.

There was a dip of about 5% on the tech stock yesterday because it was spinning off Total Specific Solutions (TSS), which was one of its operating groups that was solely focused on the European vertical market software industry.

TSS, which is based in the Netherlands, will combine with Topicus, a Netherlands-based diversified vertical market software provider, to be listed on the TSX Venture Exchange in about a month.

For your child's RESP, you should first consider investing in Constellation Software, which is bigger and more diversified. If you like the growth prospects of Topicus in Europe, then, you should size your allocation to the smaller company accordingly.

In the past five years, Constellation Software increased its revenues by 18% per year, while it experienced annual EBITDA growth of 24% and adjusted EPS growth of 29%.

## The Foolish takeaway

Enghouse is the type of stock you can buy on dips and forget for the next five to 10 years and expect it to trade at much higher levels. The growth stock was a 15-bagger in the last 10 years, resulting in total returns of +30% per year! Over the next 10 years, the stock can deliver outsized returns of 15-20% per year that still beat the markets.

If you buy Enghouse shares soon, you'll get your hands on a special dividend of \$1.50 per share, payable on February 16 to shareholders of record at the close of business on January 15.

Constellation Software has generated tremendous long-term shareholder value. RESP investors should consider accumulating the quality shares on dips.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners
4. Tech Stocks

### TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)
2. TSX:ENGH (Enghouse Systems Ltd.)

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