Got $2,000? 1 TSX Stock to Buy Now and Forget

Description

Do you wish that there was one stock that you could buy and forget? And after five-six years, while you are planning a big purchase like a house, you skim through your investments, and Voila! a significant amount is sitting and growing in your Tax-Free Savings Account (TFSA). That's the kind of treasure I would love to own.

The dynamics of technology and business

Talking about stocks, I always say that keep yourself abreast with the latest happenings. This is because of the dynamics of technology and business. Take **BlackBerry**. A global smartphone leader in 2007 with a stock price above $200 is now a cloud-based cybersecurity company with a stock price of less than $12. Had you bought this stock in its heydays, you might be regretting your decision even after 10 years from now.

It's not your fault. You bought a good stock, but the problem was the lack of diversification. BlackBerry earned all its fame from its messenger, and **Apple** crushed the BlackBerry mania with touch phones. Maybe someday there might be another revolution. Someone would take Apple iPhones out of the market with, maybe, a futuristic communication technology like Holographs as you saw in Star Wars: *"Help me Obi-Wan Kenobi, you're my only hope."* Companies like Apple, **Google**, and **HP** are even working on holograms.

In such a dynamic world, where can you find a stock that can assure you growth for the next 10-20 years? It's not like past performance is a guarantee of future performance. Honestly, you can only hope. Even venture capitalists place their best bets on the hope of finding the next Apple or Google. From their 10-15 bets, even if one achieves the breakthrough or eight or nine achieve average growth, their investments pay off.

One TSX stock you can buy and forget

So instead of hunting for future technology, hunt the hunter of future technologies. **Constellation Software**

(TSX:CSU) is a technology hunter that acquires small vertical-specific software (VSS) companies. In 21 years, it acquired more than 260 VSS providers operating across 120+ verticals that are serving over 125,000 customers, operating in 100+ countries worldwide.

Constellation has a diversified portfolio based on geography, verticals, customers, and product offering. To give you a hint of how Constellation works, it acquires, strengthens, and grows vertical market technology companies. It acquires firms that offer highly tailored proprietary solutions to one or two verticals. As they are customized solutions, they are sticky, and customers are reluctant to switch.

Constellation then provides these companies with capital, business tools, frameworks, methodologies, and systems to help them accelerate their growth. It holds these companies forever and allows them to maintain their independence and autonomy.

Constellation's robust business model

Constellation's subsidiary Volaris acquires these VSS providers across different geographies, verticals, and sizes. For smaller businesses, it looks for verticals and geographies, where it already has a presence. This way, the acquisition brings synergies as it can provide support efficiently.

Some companies Volaris has acquired include:

- Technology provider ADAPT IT to expand in the African continent where it has a limited presence.
- ConWX ApS, a Denmark-based provider of power forecasting services for global energy providers.
- Symbrio, a Sweden-based provider of procure-to-pay software solutions for the installation industry.

Volaris is just one of the six companies that form the Constellation. Hence, this diversification reduces the risk of losing money as profits in one area offset the losses in other areas. This strategic acquisition strategy has helped increase its earnings per share (EPS) at a compounded annual growth rate (CAGR) of 16% in the 2016-2020 period, slightly lower than 17.4% in the 2012-2016 period. This EPS growth is reflected in its stock price.

Final thoughts on Constellation stock

Constellation stock grew 184% between 2016 and 2020 and 635% between 2012 and 2016. The stock's growth rate is slowing as the software industry is moving from on-premise software to cloud-based software. This has left Constellation with fewer on-premise VSS providers to acquire. If it shifts to buying cloud-based software providers, the growth could accelerate further.

Until then, it could continue to enjoy double-digit growth on the back of stable EPS growth.

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Date
2025/07/08
Date Created
2021/04/12
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