



3 Stocks That Could Be the Next Constellation Software (TSX:CSU)

Description

Enterprise software giant **Constellation Software** ([TSX:CSU](#)) has been one of the best-performing stocks in Canadian history. The stock is up 9,766% since it listed in 2006 — nearly a 100-bagger.

Constellation's success stems from its mergers and acquisitions over the years. The group has successfully absorbed well over 300 small- and medium-sized firms over the years to expand its footprint and create value for shareholders. It's still one of the best tech stocks you can add to your portfolio.

But if you're looking for smaller companies that are replicating this M&A growth model, here are the top three picks.

European Constellation

Topicus.com (TSX:TOI) was actually spun off from Constellation Software earlier this year. Like its parent company, Topicus focuses on vertical enterprise software acquisitions. However, these targets are all based in Europe.

European tech talent is severely underrated. Local investors are comparatively more risk averse, which means tech startups and software companies have lower valuations. That creates a fertile ground for acquirers like Topicus.

Topicus's enterprise software providers serve 100,000 customers in over 11 countries across Europe. The portfolio includes quality management consultancy Arter, Remote Terminal System Srl, customer management service platform Blueriq, and training software developer Alcuin.

Topicus expects double-digit growth every year for the foreseeable future, and the stock currently trades at [16 times free cash flow per share](#). In other words, it's an early, European version of Constellation Software.

E-commerce Constellation

WeCommerce Holdings ([TSXV:WE](#)) is similar to Constellation Software, but it focuses on e-commerce tools and platforms. In fact, the company focuses mostly on tools and widgets that are based on the **Shopify** platform.

WeCommerce's portfolio includes Yopify — a collection of Shopify apps: Foursixty, a shopping feature for Instagram, Out of the Sandbox, a developer of Shopify themes, and Pixel Union, a web developer.

Co-founder Andrew Wilkinson is a well-known venture capitalist who's been investing in internet startups since 2009. His model for WeCommerce makes the stock a proxy for Shopify's growth and expanding ecosystem.

Healthtech Constellation

Vancouver-based **WELL Health Technologies** ([TSX:WELL](#)) is like Constellation Software but focused on telehealth and healthcare. The company started off with a data management solution for private clinics. Since then, it has acquired the nation's largest network of private clinics, launched a telehealth service, and is ramping up an online pharmacy solution.

This year, the team is focused on expanding into the United States. The acquisition of CRH Medical gives it a foothold in the multi trillion-dollar U.S. healthcare market. Meanwhile, the company has plenty of dry powder to fuel future acquisitions in other markets.

At the moment, WELL Health stock is trading at roughly 3.75 times annual revenue run rate per share. In other words, it's a deeply undervalued healthcare software consolidator that deserves a spot on your watch list.

All three stocks on this list have the potential to be the next Constellation Software.

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2. TSXV:TOI (Topicus.Com Inc.)
3. TSXV:WE (WeCommerce)

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