



## Meet the Canadian Tech Stock That's up More Than Shopify (TSX:SHOP)

### Description

It's hard to find a stock that has risen more than **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) since its Initial Public Offering ((PO). Up 5,228% since that date, it has really defied the odds. Sure, you can find stocks that have done better over longer timeframes, or cryptocurrencies that have done more in even less time. But among *Canadian* stocks? You'll be hard-pressed to find a bigger gainer than SHOP.

But they do exist!

While few **TSX** stocks have risen as much as Shopify in the exact same timeframe as it delivered its 5,228% return, there is at least one that has nearly *doubled* SHOP's return over 15 years. This stock isn't nearly as well known as Shopify, but it deserves to be because it is one of the biggest TSX success stories of all time.

The name of the stock?

### Constellation Software

**Constellation Software** ([TSX:CSU](#)) is a diversified [tech holding company](#) founded by venture capitalist Mark Leonard. The company makes money by [buying up small- to medium-sized startups](#) and growing them. Since its 2006 IPO, its stock has risen 11,500%—a much higher return than Shopify, albeit over a longer period.

CSU's approach is a little different than that of the usual VC firm. First, it likes to invest in companies that already have proven revenue and, ideally, profits. Second, it doesn't aim to "exit" its investments, but rather integrate them into its own business. Most of the companies it invests in are relatively conservative software companies catering to government and corporations. It's not the flashiest niche out there, but it's very stable and dependable. Constellation Software was profitable pretty early in its history, which is something not a lot of tech companies can say. So, its strategy has worked.

## Why it has risen so much

Constellation software has risen dramatically because the company itself has grown and prospered. We can confirm that by looking at Constellation's earnings five years ago and comparing them to today. Five years ago, Constellation delivered revenue of \$444 million, net income of \$33 million, and diluted EPS of \$1.54.

In the same quarter this year, it delivered revenue of \$1.25 billion, net income of \$88 million, and diluted EPS of \$4.16.

The growth rates over these past five years (total, not annualized) were revenue of 181%, net income of 166%, and diluted EPS of 170%.

That's pretty solid growth over a five-year period. Granted, the stock is up more than revenue and earnings in this period; it could be that valuation is becoming a concern. Nevertheless, we've got a company here that's genuinely growing and profiting in the highly competitive tech industry. It's a real winner.

## Can it keep up the momentum?

It's one thing to note that Constellation Software is up even more than Shopify since its IPO, but quite another to say that it will continue. As we've seen, CSU's stock price is getting way ahead of its fundamentals. It would be unreasonable to expect this stock to keep rising at the rate it has been.

That doesn't mean it can't keep rising, though. While the past rate of growth is unlikely to be matched in the future, some kind of growth is possible. After all, tech is only going to get bigger from here on out. And CSU has found a truly lucrative niche for itself within the Canadian tech industry.

### CATEGORY

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2. Tech Stocks

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2. TSX:CSU (Constellation Software Inc.)
3. TSX:SHOP (Shopify Inc.)

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