



## 1 TSX Stock That Could Beat the Market Over the Next 5 Years

### Description

Beating the market isn't easy, unless you're willing to take your emotions out of the game and act like a true contrarian. Moreover, by keeping things simple and investing in what you know well, you can gain a slight edge over main street.

Today's white-hot investments like Bitcoin, Dogecoin, and all the sort are pretty difficult to understand. If you don't get why anyone would want to own a volatile asset that could implode at any moment, you're not alone. The good news is, you don't need to invest in it. And you probably shouldn't, as the magnitude of speculation in such assets is off the charts. Indeed, many will place large sums on Bitcoin and the like with the hopes of making quick riches. But unless you're willing to gamble, or you know the ins and outs of cryptocurrencies, it's probably a better idea to take a raincheck.

Undoubtedly, Bitcoin looks to be a great alternative asset in an era of high inflation. But given it could fold without a moment's notice, the asset isn't suitable for everyone. There are assets out there with far better risk/reward tradeoffs in this market, and they can combat inflation, however long it may persist. Common stocks are still among the best places to be in these days — more so after the latest 4% or so slide, which started last month.

In this piece, we'll have a look at a TSX stock that's outpaced the broader markets over the past few years. Given its incredible growth prospects, I'd consider looking into the name on any dips. Consider **Constellation Software** ([TSX:CSU](#)), one of the best market beaters that is likely to continue doing so over the next five years and beyond.

### Constellation Software: A triple in the last five years. Can it pull it off in the next five?

In many ways, Constellation is a private-equity-like play for those looking for next-level [growth](#) in Canada's small-cap tech scene. The company has generated meaningful excess risk-adjusted returns for investors over the past decade, thanks in part to a magnificent management team that knows how to bring out the best in smaller software companies that show promise. Private equity can be hit or

miss. But when you've got managers like those on Constellation on your side, the odds can be tilted heavily in favour of investors in shares of CSU.

M&A doesn't create value on its own. A [disciplined](#) and talented management team with a nose for value can. As one of few firms that have perfected M&A, I think the stock could be worth well north of just 7.9 times sales, where the stock currently trades today. Despite posting nearly 260% in gains over the last five years in a relatively smooth fashion, the stock still seems underestimated. Fresh off a 8% pullback, investors should think carefully about topping up their portfolios with such a name, whether or not they see higher rates in 2022 and beyond.

It's hard to tell if Constellation can post another triple in five years. While the company is firing on all cylinders, the market cap has matured to north of \$44 billion. As such, investors should temper their expectations when it comes to the name. While I don't see the stock tripling in five years, I do think there's a good chance it could double in the timespan, as management continues pursuing growth opportunities in its corner of tech. Recently, Constellation acquired billing-software firm Kansys. It's just another great deal that's likely to move the needle steadily higher over time.

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1. TSX:CSU (Constellation Software Inc.)

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