

cheaper. Constellation simply had more attractive options in 2021. This trend could continue in 2022.

Upgraded strategy

At the start of 2021, Constellation's CEO Mark Leonard made a big announcement. The company was modifying its growth strategy. In 2021, the team decided to cut back on shareholder payouts via dividends. This allowed the team to reinvest more of the capital it generated.

Leonard also announced that the team's investment universe will be broadened. For the first time since its inception, Constellation will target companies *beyond the vertical software industry*.

Put simply, Constellation Software is no longer just an enterprise software company. It's doubling down on all acquisition targets to drive further growth. This is another reason why the stock performed so well.

"Hopefully, we have built enough credibility to warrant your patience as we explore new and under-appreciated sectors," Leonard told investors in his recent letter.

Bottom line

Few other tech stocks have the pedigree and track record of Constellation Software. Mark Leonard's team has had exceptional success as capital allocators. This strategy played out well in 2021, which is why fundamentals and the stock price are up significantly.

But investors are also excited about the path ahead. The team has slashed its dividend and is now targeting bigger companies in newer industries. The target market is now much larger, which means there's more room to grow. It seems likely that Constellation stock will keep delivering double-digit growth for the foreseeable future.

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