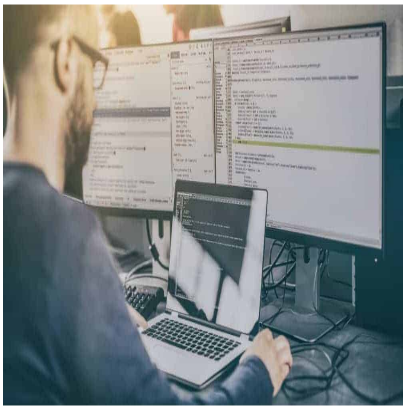

Why Constellation Software Stock Is a Must Buy Ahead of Earnings

Description

Constellation Software (TSX:CSU) is one of the strongest tech companies you can own on the **TSX** today. The company's management has proven again and again that it can identify software companies that will bring in even more revenue.

But lately, shares of Constellation stock have seen slower growth. So, ahead of earnings, should investors see this share performance as a red flag or a buying opportunity?

What to expect

Constellation stock will release earnings on May 4. That's just about two weeks away as of writing, giving you enough time to make some decisions surrounding the stock.

Honestly, analysts haven't had much to say. And that's actually a good thing. Constellation has been incredibly solid with its revenue growth, and that comes from a strategy that's proven itself time and again.

This strategy mainly surrounds finding niche software companies, buying them, providing resources, and seeing them flourish. It owns everything from subway operations to library tech services. And that hasn't slowed down at all, pandemic or not.

An exciting new buy

Now as I said, acquisitions are normal for the company. Back in March, Constellation stock announced the purchase of a medical records software company based out of Chicago. Allscripts Healthcare Solutions was purchased for US$700 million in cash and stock.

What makes the buy different? It's in the medical industry. This industry demands an overhaul, especially here in Canada, with the use of telehealth becoming more mainstream. Allscripts's business focuses on hospitals and larger physician practices. Its software is needed for everything from record keeping to billing.

It's one of the first acquisitions Chief Executive Officer Mark Leonard has made after stating his company would focus on larger acquisitions, as it has so much cash on hand. Constellation stock spent US$1.2 billion in 2021 alone and is already well past the halfway point with this one purchase. With healthcare such a strong investment to make, this could create a massive opportunity for growth-minded investors.

What now?

When earnings come out, we hope to see a sneak peek at what the company expects from this latest acquisition. Furthermore, we should also see performance from those acquisitions made last year of over US$1 billion. During the last quarter, Constellation stock brought in US$1.38 billion in revenue and profit of US$145 million.

The thing is, Canadians still don't consider this stock a screaming buy. Why? It's likely the share price. It remains in the $2,000 range and will only continue up from there. While a stock split is never off the table, it doesn't look like management will be announcing one anytime soon. But that shouldn't put off investors who want solid returns from this stable tech stock.

As for now, investors buying Constellation stock can pick it up down 9% from 52-week highs. It offers a 0.23% dividend yield of $5.06 per share. Shares are up 20% in the last year and 240% over the last five years.

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