



Could Constellation Software Stock Recover Next Week After its Q1 Earnings?

Description

Constellation Software ([TSX:CSU](#)) stock has been on a losing streak lately. The tech stock has lost nearly 13% of its value in 2022 so far after consistently delivering positive returns each year since its listing on the exchange in 2006. CSU stock currently trades at \$2,070 per share — close to its lowest level since January, as the recent [tech sector-wide selloff](#) has pushed it downward. Constellation Software will release its first-quarter 2022 results on Wednesday next week. While the tech sector rout continues, let's find out whether its upcoming results could help CSU stock stage a recovery.

Constellation Software's business

Constellation Software primarily focuses on acquiring, managing, and building quality software companies to serve a large number of organizations across industries from the public and private sectors. According to its latest annual revenue figure, the United States is its largest single market, as nearly 40% of its total revenue came from the country last year. Similarly, the United Kingdom accounted for nearly 38% of Constellation Software's total revenue, making it the second-largest market for the company. Interestingly, its home market Canada made up only 11% of its total sales in 2021.

Business growth accelerated during the COVID phase

The ongoing growth trend in Constellation Software looks impressive. While most businesses across sectors struggled with the COVID-19-related shutdowns and restrictions, the Canadian tech firm's revenue as well as earnings-growth rate accelerated in 2020. For the year, it reported a 13.7% YoY (year-over-year) increase in its total revenue to around US\$3.97 billion. Its adjusted net profit that year jumped by a solid 22.9% YoY to US\$743.3 million. Similarly, its adjusted net profit margin also expanded to 18.7% in 2020 compared to 17.3% in 2019.

Constellation Software's business growth accelerated further

in 2021

Many large tech companies, which saw a rise in their business growth during the global pandemic period, like **Shopify**, witnessed a drop in their sales growth rate in 2021. Nonetheless, Constellation Software's overall financial growth rate continued to accelerate last year.

In 2021, the Canadian software giant [registered](#) a 28.7% YoY jump in its total revenue to around US\$5.1 billion with the help of solid 7% organic growth, excluding the impact of foreign exchange rates. Similarly, Constellation Software's adjusted earnings for the year stood at US\$44.30 last year — up 26.4% YoY — crushing analysts' consensus estimate of around US\$38.11 per share. Its consistent financial growth throughout the year could be one of the reasons why CSU stock yielded solid 42% positive returns in 2021.

Could Constellation Software stock recover after its earnings event?

Street analysts expect Constellation Software to report a 21.4% YoY jump in its total revenue in Q1 2022 to US\$1.43 billion and its adjusted earnings for the March quarter to be around US\$11.54 per share. As the company continues to focus on more quality acquisitions with the help of its positively growing cash flows, I expect Constellation Software to continue registering strong earnings growth in the ongoing year as well. Its consistent financial growth could help CSU stock recover fast in the coming months, and its upcoming quarterly earnings event could act as a catalyst for the expected recovery.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. jparashar

2. kduncombe

Category

1. Investing
2. Tech Stocks

Date

2025/06/28

Date Created

2022/04/29

Author

jparashar

default watermark

default watermark