Why Constellation Stock Belongs on Everyone's Buy List

Description

Constellation Software (TSX:CSU) has become a strong tech company over the last few decades. Yet on the **TSX** today, shares have dropped below the $2,000 mark. And that price is hard to move upwards, considering it's so high.

But I'll be honest; even at high prices, Constellation stock belongs on everyone's buy list. Today, I'll tell you why.

A business model that works

Constellation stock has grown from the small company it was when coming on the market in 2006, and even further since its founding in 1995 — yes, 1995, when it was still discussed quick widely whether the internet was even going to be a thing.

Fast forward to today, and we can see the success of Constellation stock. But here's where that success comes from. Constellation focuses on acquiring small but necessary software companies. It then gives them the cash they need to succeed and hit that next tier of excellence. Constellation can then market itself to even more companies needing that software.

And it doesn't hold out on anything. Constellation stock will invest in everything from library software to supply-chain management to subway controls. Since its founding, it's acquired more than 500 businesses. It was so successful in mid-2018 that it cancelled earnings calls due to speculation that potential acquisitions might be leaked ahead of time, though that's since changed.

Not holding back

So, now we're in this time where tech stocks are down, and Constellation stock has seen its value deteriorate. Analysts trimmed their target prices due to the fall in tech stocks. But let's be clear, they still see it as an outperformer across the board.

In fact, analysts actually raised their estimates, even as the company missed EBITDA estimates. Given the environment we live in right now, this makes Constellation stock of strong value, as it continues its successful business model.

Value, value, and more value

If you look at Constellation stock's value right now, it paints a clear picture of why you should buy. Shares of Constellation fell 19% from peak prices in December 2021 to trough prices in early May 2022. But since mid-May, when a correction seemed underway on the TSX today, shares have started climbing upwards, now by 3%.

Let's look at what long-term investors have been given in the last few decades. If you bought Constellation stock during its initial public offering in 2006, shares were just $25. That adds up to 7,666% in returns over that time period, or a whopping 34% compound annual growth rate (CAGR).

Then there's the fact you can add in an albeit small dividend of 0.26%. But even that helps add up and you can use it to reinvest in the stock down the line.

Foolish takeaway

Constellation stock is one of the few tech stocks out there providing stable, strong growth. The downturn has nothing to do with company performance, as it's remained strong for decades. Now is an excellent time to consider buying up this stock in bulk as the economy recovers. You'll get it for a discount, with a potential upside of 30% identified by analysts at the time of writing.

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