1 Under-the-Radar TSX Stock to Buy in August

Description

There are so many stocks listed on the **TSX**. As of November 2019, there were more than 2,200 listings on the exchange. Of course, it's impossible for anyone to know every stock listed. However, the large number of listings does contribute to some very good companies going unnoticed.

For example, **Topicus.com** (TSXV:TOI) is one of the most promising young companies. However, it only has a 10-day average volume of about 47,000. Compare that to any of the most traded stocks on the TSX, and you'll see how little attention Topicus gets. For comparison, **Enbridge** has a 10-day average volume of 14.3 million, **TD Bank's** 10-day average volume is four million, and **Shopify** is at 3.8 million. Compared to those behemoths, Topicus is rarely traded.

In this article, I'll discuss why investors should consider buying shares of Topicus today.

Why buy this stock

For those that are unfamiliar, Topicus is an acquirer of vertical market software (VMS) businesses. Some investors may recognize that its business sounds an awful like what **Constellation Software** does. If you noticed that, then good job. Topicus was once a subsidiary of the larger and extremely successful tech company.

Although these two companies operate very similar businesses, investors need not to worry about competition between them. Constellation Software remains heavily invested in Topicus, holding a 48.9% ownership stake in the company.

Topicus's board of directors is also heavily composed of Constellation Software executives. Six members of that board are individuals with ties to Topicus's former parent company. This includes Constellation Software's founder and president Mark Leonard. If Topicus can lean on that massive wealth of experience, then it could accelerate its growth while avoiding some of the crucial mistakes that younger companies tend to make.

I believe that an investment in Topicus today could be similar to investing in Constellation Software a

decade ago. What's interesting about Topicus is that it focuses its acquisitions within the European tech industry. That's a great market to operate in, because it's heavily fragmented, providing a landscape ripe for acquisition. In addition, European tech businesses tend to see less pressure from venture capitalists compared to North American businesses. This gives Topicus the opportunity to acquire businesses with less competition to worry about.

Topicus's performance

Topicus has acquired more than 20 VMS businesses this year. That suggests that the company is following a very aggressive growth strategy. Of those businesses, **Sygnity SA** stands out. This is because the company is listed on the **Warsaw Stock Exchange**. What this means is that Topicus has done something rare by acquiring a majority stake in a public company.

The company also reported a 24% year-over-year increase in its second-quarter (Q2) revenue. Of that, 6% was organic growth. Both figures are very impressive considering the difficult economic environment that tech companies need to operate in today.

Despite those positives, Topicus stock hasn't really been rewarded so far this year. Year to date, Topicus stock has fallen 28%. However, investors should note that the stock has gained about 20% over the past two months. That suggests that investors may be starting to favour Topicus once again.

Foolish takeaway

Topicus is a great stock that deserves more attention. Compared to some of the most traded stocks on the TSX, Topicus sees very little action. By taking advantage of this stock today, investors could accumulate large positions before the masses get in.

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