



Top 2 Most Reliable Growth Stocks in Canada

Description

Growth stocks are rarely consistent. Several high-flying [tech stocks](#) have lost tremendous value over the past year. Former high performers such as e-commerce and payments companies have been squeezed by competition and evaporating demand.

Put simply, finding a stock that grows consistently every year isn't easy. However, some stocks manage to deliver steady returns over long periods. Here are the two most reliable growth stocks in Canada.

Descartes

Logistics software provider **Descartes** ([TSX:DSG](#))([NASDAQ:DSGX](#)) has been consistently expanding its earnings power for decades. The stock is up nearly 1,000% over the past 10 years. That implies a compound annual growth rate of 25.9%.

The company's success is based on its first-mover advantage. In the early-2000s, Descartes became one of the first companies to develop a software-based logistics management system. Today, this system is a critical part of the global supply chain. The company owns the Global Logistics Network—an electronic messaging system that helps government agencies, retailers, distributors, and freight transporters communicate about location, compliance, and customs.

With the rise of globalization, Descartes has seen steady growth over the decades. It has more room to grow as global trade recovers from the pandemic's disruptions. Meanwhile, the stock still trades at 65 times earnings per share, which is fair value for a company delivering double-digit revenue and net income growth every quarter.

Constellation Software

Constellation Software's ([TSX:CSU](#)) growth has been longer and steadier than Descartes'. The stock is up 10,000% since 2006, making it one of the few 100 baggers on the Canadian stock exchange.

The company's key growth engine is acquisitions. Mark Leonard, Constellation's founder and CEO, is a reputed investor with an eye for value. Over the past three decades, his team has scooped up over 300 small- and mid-sized software firms to expand the company's portfolio.

This year, the team has intensified acquisition efforts. Constellation has deployed over \$1 billion on acquisitions and completed more deals in the first half of 2022 than all of 2021 combined. These latest acquisitions should help the company sustain its steady pace of double-digit growth.

Meanwhile, cash flows from existing subsidiaries are also steady. Nearly half of the company's software subscribers are government agencies. That means little to no churn and high margins for niche software applications.

The stock trades at 52 times free cash flow per share. That's expensive. But Constellation's reliable and consistent growth could justify this premium price tag.

Bottom line

Most growth stocks are [volatile](#) and short-lived. A few good years of earnings growth doesn't really create value for long-term shareholders. Instead, a steady pace of consistent growth is much better for compounding wealth.

CATEGORY

1. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:DSG (The Descartes Systems Group Inc)

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