



Got \$5,000? This TSX Stock Can Turn it Into \$100,000

Description

You generally make money in the stock market by purchasing shares of companies and holding them over the long term. In the current environment, you can buy shares of quality companies at a discount and benefit from exponential gains, as a majority of them are trading at depressed valuations.

Investors remain worried about red-hot inflation rates, rising interest rates, the possibility of an upcoming recession, and supply chain disruptions, among many other factors. But one [TSX tech stock](#) that has consistently outpaced broader markets [since its initial public offering](#) (IPO), despite multiple economic challenges, is **Constellation Software** ([TSX:CSU](#)).

The company went public back in May 2006, which was just before the financial crash. It has since returned an astonishing 14,440% to investors in dividend-adjusted gains. So, an investment of \$5,000 in CSU stock soon after its IPO would be worth around \$750,000 today.

While historical returns don't matter much to current investors, let's see why Constellation Software could easily turn a \$5,000 investment into \$100,000 within the next two decades.

What does Constellation Software do?

Constellation Software provides enterprise-facing software and services across industries. It acquires, manages, and builds software businesses that develop mission-critical solutions that address specific business needs.

Over the years, Constellation Software has successfully assembled a portfolio of companies, allowing it to grow via acquisitions and organically. With six operating groups, the company services customers in more than 100 markets globally.

Its acquisition-based business has allowed Constellation Software to increase sales from \$3.06 billion in 2018 to \$5.1 billion in 2021. Its operating income has almost doubled from \$530 million to \$936 million in this period.

Is CSU stock a buy right now?

In the second quarter (Q2) of 2022, Constellation Software reported revenue of \$1.61 billion, an increase of 30% compared to the year-ago period. Its net income surged 43% to \$126 million, or \$5.94 per share. The company completed several acquisitions in Q2 for a cash consideration of \$1 billion.

Constellation Software ended the quarter with an operating cash flow of \$78 million compared to \$171 million in the year-ago period. Its free cash flow stood at \$133 million — a decline of \$12 million year over year.

Analysts tracking the Canadian tech giant expect sales to rise by 39% to \$8.95 billion in 2022 and by 17.5% to \$10.52 billion in 2023. Despite an inflationary environment, Constellation Software is expected to increase adjusted earnings to \$82.18 per share in 2023 from \$57.69 per share in 2021.

So, CSU stock is priced at four times 2023 sales and 24 times forward earnings, which is not too steep for a growth stock. As it provides mission-critical services to its wide base of enterprise customers, Constellation Software enjoys pricing power and is expected to increase earnings by 20.70% annually in the next five years, making it among the top [growth stocks on the TSX](#).

Right now, CSU stock is trading 16% below all-time highs, allowing you to buy the dip. Analysts remain bullish on the company and expect shares to rise by more than 20% in the next 12 months.

Constellation Software is a blue-chip TSX stock trading at a discount and remains a top pick for long-term growth investors.

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