



## Worried About NVIDIA? Buy This TSX Tech Stock Instead

### Description

**NVIDIA** ([NASDAQ:NVDA](#)) stock has been causing investors a lot of worry lately. Its stock is down 53% for the year, and its earnings declined 72% in the most recent quarter. The company was growing like wildfire in 2020 and 2021, but it took a hit this year when tech stocks began falling, and demand for chips (the products NVIDIA makes) declined. If you're worried about NVIDIA stock, you may be looking for other places to put your money.

Fear not, because in this article, I'll reveal a [Canadian technology stock](#) that is much less risky than NVIDIA.

### Constellation Software

**Constellation Software** ([TSX:CSU](#)) is a legendary Canadian tech stock that is well known and respected far beyond Canada's borders. If you're looking for a tech company that builds software you use every day, this isn't the one. CSU is an enterprise software company, and a relatively niche one at that. CSU doesn't build any massive consumer-facing apps. Instead, it acquires and grows small companies that provide software for businesses and the government. There are far too many different companies under CSU's umbrella than I can describe here, but a few themes that come up in its portfolio again and again include the following:

- Back-end software platforms for law enforcement and courts
- Hospitality management software
- Financial services
- Real estate
- Clubs and resorts

Basically, what Constellation Software does is it looks for relatively small (e.g., a few million a year in revenue) software companies targeting large client bases. Then it integrates them into its own business and tries to help them grow. It's kind of like an asset management company or a venture capital fund, only it's a corporation rather than a fund.

It's nearly impossible for somebody to thoroughly understand each and every one of Constellation's businesses: when you buy it, you're betting on the investing acumen of founder Mark Leonard. You can, however, analyze the business by looking at the "big picture" financial statements it puts out every quarter. On that note, let's look at Constellation Software's earnings.

## Earnings

In its most recent quarter, [CSU delivered](#) the following:

- \$1.725 billion in revenue, up 33%
- \$136 million in net income, up 28%
- \$321 million in cash from operations, up 21%
- \$229 million in free cash flow, increased by \$3 million

It was an incredibly strong showing. This year, many of the world's biggest tech companies, including NVIDIA, are seeing their share prices go down. To a very large extent — certainly in NVIDIA's case — it's justified by falling earnings. CSU's own stock is down a little this year, but the selloff isn't supported by the earnings results. So, it's a strong candidate to bounce back in the next recovery.

## Constellation Software is less risky than NVIDIA

I just covered a "fundamental" reason why Constellation Software is less risky than NVIDIA (its earnings have been better). Now, it's time to turn to a statistical one: the beta coefficient.

A stock's beta coefficient is its volatility (magnitude of price swings) compared to the benchmark. If a stock is 100% more volatile than the index it's a part of, it has a beta of two. If it's just as volatile as the index, it has a beta of one.

Currently, Constellation Software has a five-year beta of 0.86. So, it's less volatile than the index. NVIDIA, however, has a 1.71 beta coefficient. So, it's a lot more volatile than stocks as a whole. There's no question here: going by past price trends, Constellation is much less risky than NVIDIA. That doesn't mean CSU will perform well, but it does mean that its stock has given investors a less-bumpy ride than NVDA has.

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