



When This Canadian CEO Speaks, Wall Street Listens

Description

It's not very often you find a business leader that Wall Street truly pays attention to. The chief executive officers (CEOs) of U.S. Fortune 500 companies sometimes do, but other than that, not very many executives get bankers to sit up and take notice. Among Canadian CEOs, the odds of becoming a Wall Street superstar are quite low.

One, however, has made the grade: Mark Leonard

Mark Leonard of **Constellation Software** ([TSX:CSU](#)) is a CEO who is famed for making large amounts of small acquisitions that have paid off well. Since it went public in 2006, Constellation Software has risen 12,000% in the markets. Leonard has been the CEO the entire time. His track record has really been something else, and in this article, I'll explore why Leonard has become such a guru to Wall Street.

Why is Leonard so popular?

For one thing, his track record speaks for itself. Over the last 10 years, Constellation's revenue has grown 730%, its earnings have grown 672%, and its free cash flow has grown by 680%. It's been an incredible run. Some people avoid CSU stock because it is extraordinarily complex, with several hundred businesses under the hood. Indeed, this is the reason I don't own the stock, but if CSU's financials are accurate, then Leonard's track record has been fantastic.

Second, Leonard is a good writer. He writes an annual [letter to shareholders](#) that is noted for its insight as well as its clear writing style. As many observers have noted, being a good writer is correlated with being a good investor. [Warren Buffett](#), Benjamin Graham, and many other legends were noted for their compelling prose style. If the "good writer" tell for top investors is any indication, then Leonard is one of the best out there.

Is he as good as his name suggests?

Having looked at Mark Leonard's track record and his annual letter to shareholders, it's time to ask the question:

Is he really as good as his reputation suggests?

Well, the "big picture" accounting metrics that CSU has released over the years show a profitable and fast-growing business. That's certainly a good thing.

However, there are other ways in which Leonard's track record is impossible to assess. Chiefly, the results of individual businesses. Constellation Software has hundreds of subsidiaries. It would likely take an entire year of research in order to just understand all the moving pieces that contribute to a single quarter's earnings. Warren Buffett-like depth of understanding just isn't possible here.

So, while Constellation is a company, an investment in it is really a bet on a person, making it more like a fund. You really need to believe in what Mark Leonard is doing in order to invest with him, because his company is just too complex to analyze thoroughly.

Foolish takeaway

Constellation Software is a legend among Canadian stocks. With a reclusive yet fascinating founder, a stellar track record, and a 12,000% lifetime return, its results have really stood out. To be sure, there are risks inherent in investing in such a stock. Specifically, there's a real risk of not being able to research the company thoroughly enough, as that would take an amount of free time that most people don't have. It's for this reason that I don't own CSU. Nevertheless, its historical results have been impressive.

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