



Why Constellation Software Inc. Is Canada's Tech Giant

Description

Investors looking longingly at stellar earnings results from **Amazon** and Alphabet Inc. (**Google's** new holding company) have a Canadian option to consider: **Constellation Software Inc.** ([TSX:CSU](#)).

The software-business giant's stock is up 66% year-to-date, with a stunning five-year return of 1,200%. The company gets little media attention, but will be in the news this week when it releases its third-quarter results on October 29. Investors will be hoping for similar results compared with the second quarter, when Constellation grew its revenue by 7% to \$444 million and reported adjusted net income of \$80 million, up 23% from the prior year's second quarter.

Analysts are keen on Constellation, even though the triple-digit stock is expensive by Canadian standards. Jason Donville, president and CEO at Donville Kent Asset Management, expects the company to grow by at least 25% in 2015 and to "once again generate superior, risk adjusted returns for its shareholders."

Other analysts also like Constellation. Morningstar recently listed the company as a favourite of institutional investors, with an annual earnings momentum of 44%.

Constellation is known for its shrewd acquisitions. Although Q3 has been relatively quiet, in September the company closed a deal through its Perseus division to acquire the Market Leader business from Zillow Group. Market Leader is a CRM software system for the real estate industry. The deal cost Constellation US\$23 million; it's not a bad price when you consider that two years ago, the Market Leader group sold for \$355 million when Zillow purchased Trulia, the former owner of Market Leader.

Constellation completed eight smaller acquisitions in Q2 worth \$112 million.

Constellation pays a quarterly dividend of \$1 per share, a number that could be considered low considering the company has a market cap of \$12.31 billion and an enterprise value of \$12.6 billion. The company has maintained its dividend at this price since it began paying a dividend in April 2012.

Constellation may be a stock for investors with deep pockets, but considering its track record, it's unlikely to be a company you'll regret buying.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)

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