

WEEKLY REVIEW

CONSTELLATION SOFTWARE INC

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CONSTELLATION SOFTWARE INC (CNSWF US EQUITY)

Constellation Software Inc. is a global software holding company that acquires, manages, and builds mission-critical vertical market software businesses. The company operates through six major groups: Volaris, Harris, Topicus, Vela, Jonas, and Perseus, serving industries ranging from agriculture and utilities to healthcare, education, and financial services. Founded in 1995 and headquartered in Toronto, Constellation serves customers in over 100 countries, generating most of its revenue from recurring software and maintenance fees.

Constellation Software’s share price is down 13.32% YTD and 43.77% from its five-year peak, amid concerns around slower organic growth, AI disruption, and leadership transition. The company is addressing these areas through operational improvements, AI adoption, and its decentralized leadership structure, while acquisition activity remains strong. Q2 revenue increased 17% and FCFA2S rose 57% YoY, alongside continued capital deployment and growth in recurring revenues.

Specification

Ticker	CNSWF
Exchange	Toronto & OTC US
Sector	Application Software
Market Cap	\$44.33B
Free Float	78.39%
ISIN	CA21037X1006

CNSWF Price per share, USD - 1Y Chart



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Financial Performance – Q2 Growth

Constellation Software reported Q2 revenue growth of 17.3% YoY to \$3.34 billion, primarily driven by acquisitions, while recurring revenue increased 19% to \$2.55 billion. Gross profit increased 16.0% to \$2.94 billion, while EBITDA rose 12.4% to \$905 million. Net income increased 115.9% to \$326 million, with EPS rising 115.2% to \$15.39. Operating cash flow increased 10% to \$477 million, while FCFA2S rose 57% to \$345 million. Organic growth was 3%, or 1% FX-adjusted, largely reflecting weakness at Altera.

Key Financial Highlights – Q2 2027

In Millions, USD	2025 Q2	2026 Q2	YoY
Revenue	2,844	3,335	17.26%
Gross Profit	2,533	2,938	15.99%
EBITDA	805	905	12.42%
Net Income	151	326	115.89%
EPS	7.15	15.39	115.24%

Key Financial Highlights – Last 4 Years

In Millions, USD	2022	2023	2024	2025
Revenue	6,622	8,407	10,066	11,623
Gross Profit	5,862	7,439	8,937	10,292
EBITDA	1,701	2,210	2,688	3,278
Net Income	587	656	878	859
EPS	27.73	30.96	41.45	40.56
Cash From Operations	1,212	1,635	2,004	2,520
Capex	-41	-42	-67	-68
Free Cash Flow	1,171	1,593	1,937	2,452

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Key Growth Drivers

Acquisition Activity Remains the Primary Growth Driver

Constellation's growth continues to be driven by acquisitions, with Q2 revenue increasing 17% YoY to \$3.34 billion, while the company deployed approximately \$1.59 billion toward acquisitions during H1 2026, including payments for prior acquisition holdbacks. Acquisition activity continued after quarter-end, with completed or committed transactions representing \$818 million of total consideration across a broad range of software verticals. This continued deployment expands Constellation's portfolio and contributes to revenue and cash-flow growth.

Recurring Revenue Represents a Significant Revenue Base

Maintenance and other recurring revenue increased 19% YoY to \$2.55 billion in Q2, representing approximately 77% of total revenue. FX-adjusted recurring organic growth was 2%, largely impacted by Altera; excluding Altera, recurring organic growth was 4%, compared with Altera's 19% decline. This reflects the performance of the broader portfolio alongside weakness in selected businesses.

Cash Generation Supports Continued Reinvestment

Constellation generated \$1.37 billion of operating cash flow in H1 2026, up 9% YoY, while FCFA2S increased 48% to \$1.08 billion. The company's stated objective is to reinvest its available FCFA2S into acquisitions that meet its hurdle rate, allowing cash generated by existing businesses to fund additional software acquisitions. Constellation ended Q2 with \$2.89 billion of cash.

Broad Vertical Exposure Supports Acquisition Activity

Constellation operates across a diversified range of vertical market software categories. Transactions completed or committed after Q2 span security, media, aviation, hospitality, gaming, insurance, education, healthcare, financial services, manufacturing, and asset management, among others. This provides the company with multiple categories in which to pursue its acquisition strategy rather than relying on a single software vertical.

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Valuation – Current Trading Multiples

Constellation Software trades at 30.05x P/E, 19.99x Forward P/E, 0.17x PEG, 10.73x P/B, 3.47x Forward EV/Sales, and 12.79x Forward EV/EBITDA following the significant share-price correction. These multiples are reported alongside Q2 revenue growth of 17.3%, EBITDA growth of 12.4%, and continued acquisition activity, with \$818 million of acquisitions completed or committed after quarter-end. The company's valuation reflects its current earnings profile, acquisition-driven business model, cash generation, and recent share-price performance.

Key Multiples

Metric	CNSWF
P/E	30.05 x
Forward P/E	19.99 x
PEG	0.17 x
P/B	10.73 x
FWD EV/Sales	3.47 x
FWD EV/EBITDA	12.79 x

Historical Ratios – Last 4 Years

Ratio	2022	2023	2024	2025	Current - Q2 26
ROE	36.93%	31.49%	31.30%	16.08%	26.44%
ROA	7.50%	6.03%	6.16%	3.53%	6.07%
ROC	23.05%	2.83%	16.27%	8.96%	17.23%
Gross Margin	88.52%	88.49%	88.78%	88.55%	88.10%
EBITDA Margin	24.13%	24.81%	24.71%	24.13%	25.01%
Operating Margin	11.76%	12.67%	12.53%	12.23%	12.89%
Net Income Margin	7.73%	6.72%	7.26%	4.41%	8.22%
CFO, USD Millions	1,212	1,635	2,004	2,520	429
FCF, USD Millions	1,171	1,593	1,937	2,452	407
Total Debt, USD Millions	1,215	1,958	4,533	4,554	3,169
Total Debt/T12M EBITDA	0.76 x	0.94 x	1.82 x	1.62 x	1.00 x
Net Debt/EBITDA	0.25 x	0.32 x	1.03 x	0.52 x	0.09 x
EBITDA to Interest Expense	18.16 x	12.80 x	10.03 x	10.96 x	11.91 x

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CNSWF vs Peers

Ticker	FWD P/E	PEG	FWD EV/SALES	FWD EV/EBITDA
CNSWF	19.99	0.17	3.47	12.79
DSGX	27.41	1.19	7.78	16.90
WDAY	16.81	0.85	4.24	12.64
INTU	11.74	0.89	3.26	7.26

CNSWF – Blended Forward EV/EBITDA vs Peers



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Key Risks

Constellation Software’s primary risk remains its dependence on acquisitions to sustain growth, particularly as the company grows larger and deploys increasing amounts of capital. Organic growth was 3% in Q2, or 1% FX-adjusted, partly reflecting weakness at Altera. Additional risks include AI-driven disruption across vertical software markets, competition for acquisition targets, integration and execution risks from larger transactions, and increased leverage as acquisition activity expands. These factors could affect acquisition returns, organic growth, and the company’s longer-term financial performance.

- Source: Public company filings, Bloomberg, market data providers, and publicly available information as of the date of publication.
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