



CGI Group Surges After Reporting Strong Fourth Quarter Results

Description

Canada's largest IT company saw EPS for the quarter check in at \$0.67, which compared nicely to \$0.37 in the same period last year; an 81% increase. This was driven by strong revenue growth (+52.7%) and improved margins.

For the year, CGI Group reported EPS from ongoing operations of \$2.30, a 53% increase from 2012. Revenue for the year increased 111% to over \$10 billion. The year was characterized by continued strong growth, a continued drive toward profitability, and a successful first year of integrating the Logica acquisition.

Results Strong and Above Expectations

CGI's reported EPS of \$0.67 for the third quarter was well above analyst expectations of \$0.62. This is the fifth quarter of better than expected earnings for the company. Margin improvements were ahead of expectations and management's intention is to continue to gradually improve margins on a sustainable basis.

Book to Bill of 108%

This is a very positive indication for the company. A ratio above 1 indicates that more orders were received than filled and indicates strong demand.

Logica Integration Ahead of Schedule

While the integration of the acquisition was initially expected to take 3 years, the company now expects to complete it in 2 years. So far, \$448 million of the \$525 million integration budget has been spent. The company has said that they expect this spending to result in \$375 million in annual cost savings. CGI expects further EPS accretion related to the acquisition, as they get rid of unprofitable revenues and increase the quality of revenue.

Obamacare Software Struggles

And of course, we would be amiss if there was no mention of the highly publicized struggle of CGI's Obamacare software, a highly technical and complex integrated technology platform. The company had no comment as to the specifics of this issue, but they did say that their pipeline continues to expand and it remains active, signifying that customers are not overly concerned. On the conference call, management also highlighted that CGI has a good track record of 95% of projects having been completed on time and within budget.

Bottom Line

The future looks bright for CGI Group. Strong growth and continued margin improvement appear to be in its near term future. With a healthy balance sheet, strong cash flow generation, and access to over \$1 billion on its line of credit, the company is very well positioned to continue to grow.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GIB (CGI Group Inc.)
2. TSX:GIB.A (CGI)

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Date

2025/07/23

Date Created

2013/11/14

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