This Stock Is Up More Than 335% — Does it Still Have Room to Run?

Description

When investors think of tech stocks that have performed well, names like **Tesla Motors**, **Facebook**, **Google**, and **Apple** come to mind, along with a few others. These companies are some of the best of the best, and are usually single-handedly responsible for transforming their particular industry.

Yet there's a Canadian company that has almost an equivalent track record, and has returned investors more than 335% over the last decade. This stock barely declined during the financial crisis of 2008-2009, and then began a slow and steady march upwards to more than $38, where it sits today. Not bad for a stock that was just over $8 per share a decade ago.

The stock in question is **CGI Group** (TSX: GIB.A)(NYSE: GIB), which provides IT consulting, business solutions, and systems integration to customers in almost every industry. Essentially, employees from the company show up and build a solution for a customer's IT problems. It does stuff like build secure websites, develop inventory management systems, and maintain internal company networks. In today's business world, the work CGI does is incredibly important.

The company has some of the largest corporations in the North America as clients. It's done work for the likes of **Toronto Dominion Bank**, **BCE**, **Pfizer**, and, perhaps most famously, it designed the Obamacare website that was a bit of a flop. The company also has clients throughout the world, thanks mostly to its 2012 acquisition of Logica, a U.K.-based competitor, for $2.7 billion.

This acquisition was a huge leap forward for the company. Revenue more than doubled between 2012 and 2013, coming in at north of $10 billion. Profit more than tripled, rising from $131 million to more than $450 million. Even after issuing some shares to help pay for the acquisition, the company still made more than $2.20 per share before special items.

This growth isn't finished, either. Analysts predict that revenue in 2014 will come in at nearly $11billion, which will boost earnings to $2.85 per share this year. Next year is expected to be even better,as earnings are expected to grow to $3.00 per share. Based on the $38 share price, this puts thecompany right around 13 times forward earnings, which is pretty cheap for a company growing as fastas this one.

Plus, demand isn't about to wane, at least any time soon. Based on its current revenue, the company has almost two years' worth of projects in its pipeline. Its European division continues to recover, leading investors to speculate that more orders may come from that part of the world over the coming months, further adding to the backlog.

The company has a fair amount of debt on its balance sheet, coming in at right around $2.7 billion. However, it easily has the earnings power at this point to service it. The debt load may be a reason why it currently doesn't pay a dividend, even though it has such healthy earnings. Considering how important dividends are to a lot of investors, don't be surprised if the company announces one at some point soon.

Although CGI Group has been a terrific performer, there's still reason to believe it can go higher. It trades at a reasonable valuation, and analysts expect growth to continue. Demand is strong for its services, and it has both the size and scale needed to do projects for some of the world's largest companies. It's reasonably valued now, and patient investors who pick it up during dips should get rewarded in the long term.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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