



## Is Now the Time to Buy CGI Group Inc.?

### Description

**CGI Group Inc.** ([TSX: GIB.A](#))([NYSE:GIB](#)), the world's fifth largest independent information technology and business process services company, announced first-quarter earnings before the market opened on January 28 and its stock has responded by rising over 3% in the trading sessions since. Let's take a thorough look at the most important statistics from the report to determine if we should consider buying into this rally or if we should wait for a better entry point in the trading sessions ahead instead.

### The first-quarter results are in

Here's a summary of CGI's first-quarter earnings compared to what it accomplished in the same quarter a year ago.

Metric	Q1 2015	Q1 2014
Earnings Per Share	\$0.74	\$0.60
Revenue	\$2.54 billion	\$2.64 billion

Source: *Financial Times*

CGI's adjusted earnings per share increased 23.3% and its revenue decreased 3.9% compared to the first-quarter of fiscal 2014, driven by net income increasing 24.5% to \$236.3 million and the company booking \$4.3 billion in contracts. CGI also noted that its net debt at the end of the quarter was just \$1.9 billion, a decrease of \$965.9 million year-over-year, and it is well positioned to continue reducing this total going forward.

Here's a quick breakdown of six other important statistics and updates from the report compared to the year-ago period:

- Adjusted operating profit increased 13.6% to \$344 million
- Adjusted operating margin expanded 200 basis points to 13.5%
- Cash provided by operating activities increased 411.6% to \$339.2 million
- Free cash flow increased 1,833.8% to \$293.4 million

- Return on invested capital expanded 200 basis points to 14.7%
- Return on equity expanded 290 basis points to 18.9%

### Should you buy shares of CGI Group today?

CGI Group is the fifth largest information technology and business process services company in the world, and reduced expenses led it to a very strong first-quarter performance. The company reported double-digit year-over-year growth in net income, earnings per share, operating profit, cash provided by operating activities, and free cash flow, while expanding its margins and key financial ratios, and its stock has responded accordingly by rising more than 3%.

Even after the post-earnings pop in CGI's stock, I think it represents a great long-term investment opportunity, because it trades at inexpensive forward valuations, including just 12.1 times fiscal 2015's estimated earnings per share of \$3.19 and only 11.3 times fiscal 2016's estimated earnings per share of \$3.43. Furthermore, the company reported \$489.58 million in cash and cash equivalents on its balance sheet at the conclusion of the first quarter, so I think it is well positioned to repurchase its shares or pursue a large acquisition in the near future.

With all of this information in mind, I think CGI Group represents a great long-term investment opportunity today, so Foolish investors should take a closer look and consider scaling into positions over the next couple of trading sessions.

#### CATEGORY

1. Investing

#### TICKERS GLOBAL

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

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