



## Is CGI Group Inc. the Top Tech Stock to Buy Today?

### Description

**CGI Group Inc.** ([TSX: GIB.A](#))([NYSE:GIB](#)), the world's fifth-largest independent information technology and business process services company, announced second-quarter earnings results before the market opened on April 29 and its stock has responded by falling about 5% in the trading sessions since. Let's take a closer look at the results to determine if a sell-off of this magnitude was warranted, or if we should consider using this weakness as a long-term buying opportunity.

### Breaking down the second-quarter results

Here's a summary of CGI's second-quarter earnings results compared with its results in the same period a year ago.

Metric	Q2 2015	Q2 2014
Earnings Per Share	\$0.78	\$0.73
Revenue	\$2.60 billion	\$2.70 billion

*Source: CGI Group Inc.*

CGI's diluted earnings per share increased 6.8% and its revenue decreased 3.8% compared with the second quarter of fiscal 2014. The company's strong earnings per share growth can be attributed to its adjusted net income increasing 9.4% to a record \$251.2 million, and this was helped by its total operating expenses decreasing 6.3% to \$2.26 billion. Its slight decline in revenue can be partially attributed to it booking just \$2.3 billion in contract awards during the quarter, a decrease of 20.7% from the \$2.9 billion booked in the year-ago period.

Here's a quick breakdown of eight other important statistics from the report compared with the year-ago period:

1. Adjusted earnings before interest and taxes (EBIT) increased 6.3% to \$363.1 million
2. Adjusted EBIT margin improved 140 basis points to 14%
3. Return on invested capital improved 120 basis points to 14.6%

4. Return on equity improved 50 basis points to 18.4%
5. Cash provided by operating activities decreased 18.8% to \$284.7 million
6. Reported a backlog of signed orders totaling \$20.0 billion at the end of the quarter, an increase of 2.7% from the end of the year-ago period
7. Net debt decreased 30.2% to \$1.87 billion
8. Weighted average number of diluted shares outstanding increased 2% to 322.92 million

### Is today the day to buy shares of CGI Group?

I think the decline in CGI's stock represents a very attractive long-term buying opportunity. I think this because it now trades at very low valuations, including just 16.2 times fiscal 2015's estimated earnings per share of \$3.18 and only 15 times fiscal 2016's estimated earnings per share of \$3.44, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 33.7 and the industry average multiple of 20.3.

I think CGI's stock could consistently command a fair multiple of at least 20, which would place its shares upwards of \$68 by the conclusion of fiscal 2015 and upwards of \$63 by the conclusion of fiscal 2016, representing upside of more than 22% and 32%, respectively, from current levels.

With all of the information provided above in mind, I think CGI Group represents a great long-term investment opportunity today. Foolish investors should take a closer look and strongly consider using the post-earnings weakness to initiate positions.

### CATEGORY

1. Investing
2. Stocks for Beginners
3. Tech Stocks

### TICKERS GLOBAL

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

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