



## Could CGI Group Inc.'s Q4 Beat Drive its Shares Even Higher?

### Description

**CGI Group Inc.** ([TSX:GIB.A](#))([NYSE:GIB](#)), the world's fifth-largest independent information technology and business-process-services company, announced better-than-expected fourth-quarter earnings results before the market opened on November 11, and its stock responded by rising over 4.5% in the day's trading session.

Let's take a closer look at the results to determine if this could be the start of a sustained rally higher and if we should be long-term buyers of the stock today.

### Surpassing analysts' expectations with ease

Here's a summary of CGI's fourth-quarter earnings compared with what analysts had anticipated and its results in the same period a year ago.

Metric	Q4 2015 Actual	Q4 2015 Expected	Q4 2014 Actual
Adjusted Earnings Per Share	\$0.82	\$0.80	\$0.73
Revenue	\$2.59 billion	\$2.55 billion	\$2.48 billion

*Source: Financial Times*

CGI's adjusted earnings per share increased 12.3% and its revenue increased 4.1% compared with the fourth quarter of fiscal 2014. The company's double-digit percentage increase in earnings per share can be attributed to its adjusted net earnings increasing 11.3% to \$260.44 million and its weighted-average number of diluted shares outstanding decreasing 0.3% to 318.57 million.

Its strong revenue growth can be attributed to its revenues increasing in four of its seven segments, including 14.8% growth to \$752.23 million in its U.S. segment, 10.4% growth to \$355.1 million in its U.K. segment, 15.3% growth to \$128.06 million in its Asia Pacific segment, and 0.7% growth to \$314.23 million in its France segment.

Here's a quick breakdown of 10 other notable statistics from the report compared with the year-ago period:

1. Revenues decreased 2.9% to \$371.82 million in its Canada segment
2. Revenues decreased 3.8% to \$368.11 million in its Nordics segment
3. Revenues decreased 7.1% to \$295.72 million in its Eastern, Central, and Southern Europe segment
4. Adjusted earnings before interest and taxes increased 2.4% to \$378.96 million
5. Return on invested capital remained unchanged at 14.5%
6. Cash provided by operating activities increased 9.5% to \$451.31 million
7. Backlog increased 13.6% to \$20.71 billion
8. Bookings increased 39.4% to \$2.86 billion
9. Net debt decreased 15.8% to \$1.78 billion
10. It repurchased 4.85 million of its Class A shares for a total cost of approximately \$229.04 million, while it did not make any repurchases in the year-ago period

### **Could this be the start of a sustained rally higher?**

It was a fantastic quarter overall for CGI, so I think its stock has responded correctly by moving higher. I also think this could be the start of a sustained rally to new all-time highs, and I think it represents a great long-term investment opportunity today.

First, CGI's stock still trades at just 17.2 times fiscal 2015's adjusted earnings per share of \$3.13 and only 15.7 times analysts' estimated earnings per share of \$3.43 for fiscal 2016, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 35.5 and the industry average multiple of 22.7.

With its average multiples and 8.5% long-term growth rate in mind, 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 2016, representing upside of more than 26% from today's levels.

Second, CGI has been repurchasing its Class A shares at an accelerated rate over the last few years, including 723,100 shares for a total cost of \$22.87 million in fiscal 2013, 2.84 million shares for a total cost of \$111.47 million in fiscal 2014, and 6.93 million shares for a total cost of \$323.07 million in fiscal 2015, and I think its repurchases will grow again in fiscal 2016. These repurchases will help boost the company's earnings-per-share growth going forward and make its remaining shares more valuable than ever.

With all of the information provided above in mind, I think CGI Group is one of the top value plays in the tech sector today. All Foolish investors should take a closer look and strongly consider beginning to scale in to long-term positions.

### **CATEGORY**

1. Investing
2. Tech Stocks

### **TICKERS GLOBAL**

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

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