Growth Investors: 1 Great Technology Stock Ready to Soar in 2017

Description

CGI Group Inc. (TSX:GIB.A)(NYSE:GIB) is a Canadian technology consulting and solutions company that is headquartered in Montreal. The stock has been a huge outperformer for a very long time with the stock returning a whopping 233% over the last five years.

The demand for software production is expected to pick up by leaps and bounds over the next few years, and with this comes an increase in business for third-party software solutions providers like CGI Group. Sure, the company is at all-time highs, but I believe there's still more room to run with this great Canadian growth story.

For the last fiscal year ending on September 30, 2016, CGI Group reported revenues of $10.7 billion with an impressive adjusted EBITDA of $1.56 billion and net earnings of $1.07 billion. The revenue and net earnings increased by 3.9% and 9.3%, respectively, over fiscal 2015. There's no question that the company is picking up momentum, and this will continue to propel the stock even higher in 2017.

CGI Group also reduced its long-term debt by $182.7 million last year, giving the company an extremely healthy balance sheet that will open doors for strategic acquisitions down the road.

It's no mystery that the software business enjoys extremely high margins. The company has been steadily growing its margins over the last decade, which allowed the company to grow its earnings by an impressive amount each year. Although the company does not pay a dividend, it has been very shareholder friendly by buying back a ton of its own shares. CGI Group's average buyback ratio over the last three years is an outstanding 0.7, which is much better than most of its peers in the IT service industry.

The company is very good at generating ample amounts of free cash flow. This free cash flow will be used to finance future acquisitions or for reinvestment to grow organically. The company is firing on all cylinders, and there's no reason why the company will slow down, especially considering how software will continue to play a larger part of our lives as we head into the future.

What about valuation?

The company trades at a very reasonable 18.7 price-to-earnings multiple, which is much lower than the company's five-year historical average multiple of 48.4. The price-to-book, price-to-sales, and price-to-cash flow multiples are all within historical averages, so the company looks to be fairly valued at current levels, even after the impressive 16.32% jump the stock enjoyed last year.

If you're a growth investor looking for an earnings-growth stock, then CGI Group is shaping up to be a great buy at current levels.

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