



## A Top Tech Stock to Buy Right Now

### Description

The [future is technology](#). Whether we are talking about our cars, homes, computers, or healthcare, technology is the key to making our lives easier and better. From connected, self-driving cars to innovations in medical technology, such as insulin pumps and artificial limbs, this stuff is ground breaking.

While the following company's space in the technology area is less exciting, it is, nonetheless, essential and very profitable.

With \$10.8 billion in annual revenue, **CGI Group Inc.** ([TSX:GIB.A](#))([NYSE:GIB](#)) is Canada's largest Information Technology (IT) services firm. The company has and will continue to grow by consolidating the industry and by growing organically in the IT services industry.

Every company needs good IT systems. The power of information and, more importantly, the power of the organization, timeliness, accessibility, and presentation of that information and of analytical tools to get the most out of it is key.

This is where CGI comes in. Its consulting services, systems and integration services, IT outsourcing services, and its wide range of proprietary business solutions that companies rely on to get their businesses running as smoothly and productively as possible are in big demand these days.

The story at CGI has been about profitably growing through acquisitions and organically, while maintaining a strong balance sheet and generating strong cash flows. And the company has consistently shown that it can do this successfully.

Today, CGI reported first-quarter fiscal 2018 results, which were very strong.

Here are some of the key financials to focus on:

Constant-currency revenue increased 4.9%, and EBIT margins were 14.4%. This is a long way from declining revenue a couple of years ago and margins of under 10% only four years ago.

Earnings per share increased 10% to \$0.99, and bookings were \$3 billion — a little higher than the same period last year.

Importantly, bookings represented 105.7% of revenue, which is a signal of the future growth of the company. On a trailing 12-month basis, bookings were 102.85 of revenue. Anything over 100% is positive, as it signals growth, and under 100% signals contraction.

CGI is still a [cash machine](#). Cash from operations increased 17% to \$410.1, or 14.6% of revenue, and free cash flow was \$181 million after capital expenditures and acquisitions for a free cash flow yield of 6.4%.

At this point in time, CGI still has a big opportunity to continue along its growth trajectory, with a focus on higher-margin business further increasing the company's margins over time.

The company has spent \$350 million in the last year on five smaller tuck-in acquisitions and is still looking out for more. A bigger acquisition is still on the table, as the company's goal is still to double its size within the next five to seven years.

The future looks bright for CGI, and it is one of a group of companies that is riding the upside that technological advancements can offer.

## CATEGORY

1. Investing
2. Tech Stocks

## TICKERS GLOBAL

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

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