CGI Group Inc.: Beat the Market With This Canadian Tech Stock

Description

CGI Group Inc. (TSX:GIB.A)(NYSE:GIB) is one of the top Canadian tech stocks that offers investors both growth and stability.

While there is no dividend to speak of and the stock has experienced volatility in the past, we have a global company and a global network that has diversified its revenue among various geographies and business segments.

CGI shares have done well thus far in 2018, and while the stock has fallen 3% in the last couple of weeks, it has done well year-to-date, with a return of 8%.

By contrast, the **S&P/TSX Composite Index** has had a rough thus far in 2018. Year-to-date, the index has fallen 7% amid increasing volatility.

Geopolitical turmoil, fears of a trade war, rising interest rates, a cooling housing market, and overall investor sentiment have all worked against the market.

Here are the reasons why CGI will continue to beat the market in 2018.

Europe recovering

With the exception of the UK, which was surely impacted by Brexit, Europe performed well, with very much improved growth rates in the latest quarter.

The Nordics region posted a 12.3% growth rate, France posted an 11.2% growth rate, and Eastern, Central, and Southern Europe posted a 5.5% growth rate.

Strong bookings

In the latest quarter, bookings represented 105.7% of revenue, which is an indicator of the company's future growth. On a trailing 12-month basis, bookings were 102.85% of revenue.

Anything over 100% is positive, as it signals growth; under 100% indicates contraction.

Strong cash flow

CGI is still a cash-generating machine, and in the latest quarter, cash from operations increased 17% to $410.1, or 14.6% of revenue.

Free cash flow was $181 million, after capex and acquisitions, for a free cash flow yield of 6.4%.

Acquisitions

The company has spent $350 million in the last year on five smaller, tuck-in acquisitions and is still looking 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.

It appears that management may be close to making another transformational acquisition that will take the company to the next level, similar to the Logica acquisition back in 2009.

In the meantime, management is shifting its free cash flow usage to share buybacks as opposed to debt reduction, which will be a positive for shareholder value.

CGI will continue to shift its business toward higher margin business, and CGI now has a huge opportunity to continue along its growth trajectory, with this focus further increasing the company's margins over time.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date
2025/07/22
Date Created

2018/04/06
Author
karenjennifer