



BlackBerry Ltd., Open Text Corp., or CGI Group Inc.: Which Canadian Tech Stock Is the Best Buy?

Description

In the last month, **BlackBerry Ltd.** ([TSX:BB](#))([NYSE:BB](#)) shares have fallen 16%, as it seems valuation began to get a little ahead of itself, and as investors took some money off the table.

I mean, the stock had been up 34% in the year before the fall and had doubled from lows a few years ago, as the company worked hard on transforming itself into a software company.

So, consistent with CEO John Chen's plan, the licensing and the enterprise software and solutions segments are accounting for an increasingly bigger part of the company's revenue, with licensing revenue accounting for 27% of revenue in the latest quarter, and enterprise software and services revenue accounting for 52% of revenue.

But while early progress has been good, the transformation is still in the early stages, and so the risk is still elevated.

Let's look at a couple of other tech stocks to help us determine which is the best buy.

CGI Group Inc. ([TSX:GIB.A](#))([NYSE:GIB](#))

With \$10.8 billion in revenue, CGI is Canada's largest Information Technology (IT) services firm. The company will continue to grow by consolidating the industry and by growing organically, as the IT services industry is a growth industry.

The stock has consistently and steadily risen in the last five years, and shareholders have enjoyed a 185% return in that period.

CGI is a global company with strong growth in all regions except the U.K., strong bookings, and strong, increasing margins.

The company generated free cash flow of \$181 million in the latest quarter for a strong free cash flow yield of 6.4%.

The company has spent \$350 million in the last year on five small, 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.

This company has an exceptional track record of profitable growth through acquisitions and organically, and we can expect more of the same going forward.

Open Text Corp. ([TSX:OTEX](#))([NASDAQ:OTEX](#)) is in the midst of seeing clear momentum in its results, and with the \$1.6 billion EMC acquisition having closed in January, we can expect 2018 to show significant earnings accretion to the tune of 10%.

The company is also achieving increasing margins and expects fiscal 2021 EBITA margins to rise to 36-40%, up from 2018 margins of 32-35%.

With strong free cash flow growth of 48% in the latest quarter, the company has the welcome problem of what to do with it (i.e., dividend, reduce debt, acquisitions — all of which will increase value for the shareholder).

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. NYSE:BB (BlackBerry)
3. NYSE:GIB (CGI Group Inc.)
4. TSX:BB (BlackBerry)
5. TSX:GIB.A (CGI)
6. TSX:OTEX (Open Text Corporation)

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