



## CGI Group Inc.: A Buy-and-Hold Tech Stock to Outperform the Market

### Description

With \$10.8 billion in revenue, [tech stock CGI Group Inc. \(TSX:GIB.A\)\(NYSE:GIB\)](#) 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.

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 they can do this successfully.

The stock has consistently and steadily risen in the last five years, and shareholders have enjoyed a 145% return in that time period.

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

The company reported second-quarter fiscal 2018 results this week that are indicative of a growing business that is seeing big momentum.

Here are some of the key financials to focus on: Constant-currency revenue increased 1.3%, and EBIT margins were 14.4% — flat versus the prior quarter and year. Although this growth rate is below what we were seeing last quarter, and, in fact, below what we were hoping to see, bookings, which are a leading indicator for future growth, were very strong at \$3.5 billion for a book-to-bill ratio of 1.2 times.

A level that strong has not been seen in a while, so it is a very good sign.

Earnings per share increased 14.9% to \$1.04.

CGI is still a cash machine. Cash from operations increased 16% to \$425.6 million, or 14% of revenue, and, after capex and acquisitions, free cash flow was \$383 million, 13% of revenue.

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 almost \$400 million in the last year on 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, both in the short term and in the long term.

As such, investors would be wise to build a position in this company as part of their market-beating portfolio.

## CATEGORY

1. Investing
2. Tech Stocks

## TICKERS GLOBAL

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

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## Author

karenjennifer

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