



Should CGI Group Inc. (TSX:GIB.A) Be in Your Portfolio?

Description

CGI Group Inc. ([TSX:GIB.A](#))([NYSE:GIB](#)) might not be well known to many [investors](#), but those who follow the stock are quite aware of the company's success.

Let's take a look at the IT consulting firm to see if it deserves to be on your [buy list](#).

Growth

Founded in 1976, CGI has grown to be Canada's largest IT services provider with 73,000 employees worldwide, including 11,000 based in Canada, helping companies and governments across the country.

According to the firm, 20 of Canada's 25 largest companies use CGI as their IT service provider. In addition, 95 federal departments, agencies, and Crown corporations hire the firm.

The company has grown significantly over the past 40 years through strategic acquisitions, including the \$2.7 billion purchase of U.K.-based Logica in 2012.

Smaller tuck-in deals continue, including the recent purchase of Montreal-based Facilite Informatique, which added 350 people to the Canadian team.

Earnings

CGI reported fiscal Q2 2018 revenue of \$3 billion, representing an increase of 8.3% compared to the same period last year. On a constant-currency basis, revenue rose 4.9%. Net earnings came in at \$274.4 million, pretty much in line with Q2 2017.

Bookings continue to increase, coming in at \$3.5 billion for the quarter, or 119% of revenue. The company had a \$22 billion backlog at the end of March.

Share buybacks

CGI doesn't pay a dividend, but the company has an aggressive share-repurchase program. Under the current NCIB, CGI can purchase up to 10% of the company's public float by February 5, 2019.

Returns

CGI was a \$10 stock in June 2008, and investors could pick it up for \$30 five years ago. Today, the shares trade for \$82, but the stock doesn't look overly expensive. The trailing 12-month price-to-earnings ratio is about 24, and the price-to-book ratio is 3.6. Both metrics are in line with the industry average.

Should you buy?

As the digital age continues to evolve, businesses around the world are increasingly in need of specialized IT services to help them remain competitive.

CGI has the scale and expertise to deliver end-to-end services and solutions. In addition to consulting, CGI provides application, business process, infrastructure, IT outsourcing and system integration services, with specific capabilities in a variety of industries, including financial, oil and gas, government, and healthcare.

At some point, the company could become a takeover target by one of the larger global players.

If you have some cash sitting on the sidelines and are looking to buy a top-quality Canadian IT company with global reach, CGI is worth considering for your portfolio.

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aswalker

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