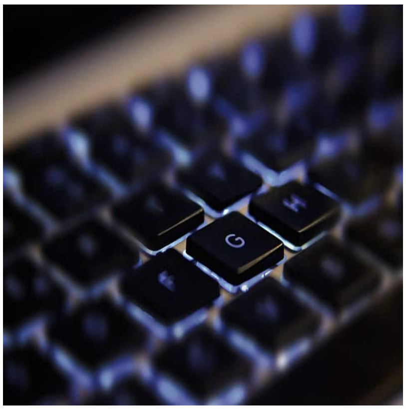

3 Reasons to Buy THIS Little-Known Tech Stock

Description

Unless you work in the IT industry, chances are you haven't heard much about **CGI Group** (TSX:GIB.A)(NYSE:GIB). Although the company does over $10 billion a year in sales, it's not exactly a household name. This may stem from the nature of the company's operations: IT consulting firms don't exactly fly high on most tech journalists' radars.

All the more reason for investors to consider them. While trendier tech stocks can be pumped up to unnatural highs, they can just as easily be knocked down by negative coverage or disappointing earnings reports. Tech consulting firms, however, can deliver steadier, more stable results.

With a long history of respectable returns, CGI Group may be one such company. In this article, I'll explore three reasons why this stock is a worthy pick for any tech investor's portfolio.

Diversified offerings

Investors are often counselled to diversify their holdings. The idea is that a highly diversified portfolio limits the risks that come from any one stock underperforming. The same logic can be applied to the operations of a company: a business with multiple diverse revenue streams can withstand the loss of any one of them.

CGI Group does well by this standard. It does a wide variety of contract work for a number of different clients, both public and private. It has provided cloud computing services to the U.K. government. It has supplied operational support to the U.S. military. It has worked with the U.S. Department of Health and Human Services in the building of its health insurance marketplace. CGI Group's operations run a gamut of sectors, from financial management to space and aviation, making it a company that can't be accused of having all its eggs in one basket.

Ambitious acquisitions

Since its rapid growth phase in the 1990s, CGI Group has been pursuing acquisitions aggressively. These acquisitions have helped the company diversify its revenue streams and expand internationally. They have included assets in management consulting, IT, and retail banking infrastructure. These acquisitions have played a major role in the company's brisk growth and steady returns to shareholders.

Strong financial performance

By most measures, CGI Group is a growing, financially healthy company. It has experienced steady earnings growth, from $859 million in 2014 to around $1.1 billion in 2017. Revenue is growing at a rate of about 8% per year. It has a return on equity of 15.75%, which means the company does a good job of using investments to generate income growth. The company's forward P/E ratio — based on estimates by **Thomson Reuters** — is about 18.04. All of these figures point to a company that is growing and delivering solid value to shareholders.

Bottom line

In the past five years, CGI Group has delivered solid returns, with its stock price more than doubling in this time. These results are a testimony to the company's ability to grow steadily through contracts and acquisitions. Expect more good news from CGI Group in the future.

CATEGORY

1. Investing
2. Tech Stocks

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1. Editor's Choice

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