



Snatch Up This Top Tech Stock as Growth Accelerates

Description

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

CGI stock is down 8% since July, falling victim to general market weakness as the S&P TSX Composite Index fell just over 6%. But in this wave of selling pressure, some stocks have stuck out as attractive buying opportunities — stocks such as CGI stock.

While there is no [dividend](#) to speak of, and the stock has had times of volatility in the past, the fact is that what we have here is a global company, with a global network, one that has diversified its revenue among different geographies and business segments.

Strong cash flow and earnings growth continue to accelerate, as the company is firing on all cylinders. The company reported a 16% increase in adjusted EPS in its third quarter of fiscal 2019, with EBIT margins of 14.8% compared to 14.4% in the same quarter last year — a far cry from margins of below 9% years ago after their transformative Logica acquisition.

And this is important, as it speaks to the synergies that can be achieved with acquisitions, and it speaks to the company's know-how and expertise in doing so.

So, with \$11.3 billion in revenue, CGI is Canada's largest Information Technology (IT) services firm.

It is a story of continued growth via consolidation of a fragmented industry as well as organically as the IT services industry is a long-term growth industry of the future.

CGI stock has provided its shareholders with a 124% return over the last five years, as the company has grown its free cash flow from \$458 million to more than \$1 billion.

And the growth has just begun.

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, and the possibility of future

acquisitions.

The company has spent \$350 million in the last year on five smaller, tuck-in acquisitions and is looking out for more. A bigger acquisition is on the table, as the company's goal is still to double its size within the next five to seven years.

And it appears that management may be close to making this 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.

And CGI will continue to shift its business toward higher-margin business, driving cash flow and earnings growth.

CATEGORY

1. Investing
2. Tech Stocks

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