Meet the Canadian Tech Stock That Is Conquering the World

Description

Every company needs good IT systems.

The power of information, and, more important, 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.

That's where **CGI Group Inc.** (TSX:GIB.A)(NYSE:GIB) comes in, a top Canadian tech stock that offers investors both growth and stability.

While there is no dividend to speak of, and the stock has experienced volatility in the past, the fact is that what we have here is a global company with a global network that has diversified its revenue amongst different geographies and business segments.

CGI Group stock has rallied almost 15% year-to-date, a year that continues to see CGI post stronger than expected organic revenue growth as well as earnings growth.

The company reported its fourth-quarter fiscal 2018 results last week, which has given further credence to this thesis.

Here are the most important takeaways:

Backlog is showing strong momentum

Backlog in the fourth quarter was $22.5 billion, for a year-over-year increase of 8.5%.

Similarly, booking were up strong this quarter, as the company's bookings represented 126% of revenue, a signal of strong growth going forward.

Anything over 100% is positive, as it signals growth; under 100% signals contraction.

Margins rise

EPS this quarter increased 17.5% to $1.09, as CGI continued to focus on higher margin revenue and cut costs.

Adjusted EBIT margin came in at 15.6%, a 40 basis point improvement compared to the same period last year and a strong improvement from levels of below 10% back in 2012/13.

This is evidence of management's expertise in integrating acquisitions and of the synergies that these acquisitions offer, as well as the ultimate accretion to earnings and cash flow.

Europe strengthening

Europe saw a significant improvement in growth rates pretty much across the board, with the U.K. and

France posting organic growth rates of 7.6% and 6.9% respectively, while the U.S. segment showed the weakest revenue performance.

The future

The company has spent more than $350 million in the last year on five 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 the size of the company within the next five to seven years. It also appears that management may be close to making another 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.

CGI will continue to shift its business toward higher margin business, giving CGI a big opportunity to continue along its growth trajectory, with this focus further increasing the company's margins over time.

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