



The Best Tech Stock to Buy in 2019

Description

While [Canadian tech stocks](#) may not be as big or well-known as their U.S. counterparts, many of them are, nonetheless, just as pertinent to the industry and just as important for investors.

Take **CGI Group Inc.** ([TSX:GIB.A](#))([NYSE:GIB](#)), an independent IT services and outsourcing provider with over \$11 billion in revenue, for example.

It is the best Canadian tech stock out there right now, as I will illustrate in four clear points below.

Proven track record

Over the last six years, CGI has grown its free cash flow at a compound annual growth rate (CAGR) of 14%, which is a lot if we consider that free cash flow in 2013 was \$530 million.

In 2018, free [cash flow](#) was more than \$1.1 billion, which leaves the company well positioned to continue to pursue growth, organically and via acquisitions.

Acquisition imminent

Which leads us to the next point.

The company has spent \$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.

And it 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.

Strong execution

In the beginning, the Logica acquisition in 2009 raised hell at CGI because of its impact on margins and because of investors' lack of confidence in the company's integration abilities.

EBIT margins sank to below 9% after the transformative Logica acquisition, but as of today, they are higher than ever, at almost 15%.

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.

At a more micro level, over 90% of projects are within time and on budget, which is an exceptional track record and speaks to the high-quality, high-level company that CGI is. These details ensure longevity, they ensure leadership positions, and they ensure strong futures.

No dividend but plenty of capital gains and free cash flow generation

So there is still no dividend at CGI, as the company is still in growth mode, but investors have been the beneficiaries of strong capital gains over the years, a 150% five-year return to be more precise.

And one day, as the company continues to grow and cash flow continues to pile up, dividends will be in the cards as well.

Final thoughts

I can sum it up by saying that CGI Group has been a steady, reliable company offering investors stability, consistency, and growth, and that these qualities mean that the company has a bright future ahead.

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