



A Top Canadian Tech Stock With Huge Upside Potential

Description

I have been recommending **CGI Group Inc.** ([TSX:GIB.A](#))([NYSE:GIB](#)) as a long-term holding that will thrive for years to come as it transforms industries through its IT systems that increase productivity, knowledge and wealth.

This is a [tech company](#) that continues to take its game to the next level, growing at increasing levels of profitability and growing steadily toward its goal to double in size in the next five to seven years.

Yesterday, CGI reported its second quarter fiscal 2019 results, and they showed continued steady progress and provide assurance that this is a tech stock to own for the [long-term](#).

Here are the main reasons that I believe CGI Group stock still has huge upside potential.

Key indicators point to growth

After a period of negative organic growth, CGI Group has seen organic growth return and accelerate. In the first quarter of fiscal 2019, it was only 3%, but this is off of a revenue base of \$11.5 billion in 2018, so it is indeed significant.

In the most recent quarter, total revenue growth was 4.7% (constant currency), with organic growth coming in at almost 4% (+3.6% in the U.S., +5.3% in Europe/International)

An accelerating organic growth profile is accompanied by a strong, growing backlog of almost \$23 billion, 4% higher than in the same period last year.

Strong balance sheet gives firing power

A 9% increase in cash provided by operating activities, to \$462 million, continues to boost the company's cash balance and its financial flexibility going forward.

In the last five years, the company has grown its free cash flow from \$458 million in 2013 to more than

\$1.1 billion in 2018. That's a CAGR of 19%!

Net debt to capitalization was reduced marginally to 17.4%.

So we can see that the company's balance sheet and cash flow generation remain stellar, and this means that the company is well set up for the next wave of acquisitions and growth plans.

Final thoughts

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 over time, and the possibility of future small tuck-in as well as huge acquisitions remains high and in fact are part of the company's stated plan.

A top-notch management team will continue to take this tech stocks to new heights. As the world increases its drive to become more and more technologically proficient in an attempt to garner all the cost and revenue benefits of this, CGI will continue to reap the rewards.

CATEGORY

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2. Tech Stocks

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