



A Top AI Stock to Buy and Hold for Decades

Description

Artificial Intelligence (AI) is at the forefront of the next technology revolution. The question is, how can investors take advantage? The AI industry is in its infancy, and there a plethora of pure-play AI companies. The problem is that most are small-caps with little to no earnings. They also have a high degree of volatility.

This makes them inherently riskier and unappealing to the defensive investor. Don't fret; there is a solution. The safest way to invest in AI is to target well-established industry leaders who have recognized AI's importance and are growing their AI segments.

One such tech company is **CGI Group** ([TSX:GIB.A](#))([NYSE:GIB](#)). CGI Group is one of Canada's [most successful tech firms](#). Over the past five years, the company's stock price has averaged 37% annual growth. This far exceeds that of the TSX Index (4.43%) and that of the TSX Technology Index (24%).

Investors should have seen this performance coming. In 2016, the company announced plans to double in size over the next five to seven years. It is well on its way to achieving this goal.

Management is one of the best in its class and has steered the company to new heights on a yearly basis. CGI Group is one of the [most reliable tech companies](#) on the TSX and one you can hold for decades.

A serial acquirer

CGI Group's success is a result of its growth-through-acquisition strategy. It makes niche acquisitions that bolster its pipeline of services, enabling it to win more contracts. Every handful of years or so, it also makes what CGI refers to as transformational acquisitions. These acquisitions significantly increase the company's geographic presence and are highly accretive to earnings.

The last such acquisition came in 2012 when it purchased Logistica for \$2.8 billion.

Over the years, it has been successful in acquiring and building a portfolio of companies that enable it to offer end-to-end information technology services. This is what makes CGI so successful. It can service clients by meeting their needs wherever they are on the technological spectrum.

A leading AI company

This enhanced value proposition is also what makes CGI Group an industry-leading AI firm. It is focused on the entire process of automation, not just artificial intelligence. The company has an “Intelligent Automation Framework” in which it works with companies to identify and implement the appropriate range of technologies that makes sense for them.

The framework extends from basic and robotic process automation to full AI solutions that “ultimately will emulate full human cognition and empathy.” It does not matter where companies are on their automation journey, CGI has the tools to enable successful digital transformation.

CGI generates a significant amount of cash, enabling it to buy cheaper companies in all-cash deals, such as its \$600 million all cash offer for Acando AB, a strategic consulting and systems innovation company based in Sweden. As of end of the second quarter, the company’s net debt to capitalization has also dropped to 17.4%, which is at the low end of historical averages.

This means it has plenty of liquidity to make another transformational acquisition, one that could very well be in the AI space — a space that has been at the forefront of big-tech acquisition strategies for the better part of the past five years.

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