RRSP Investors: the Easiest Way to Accumulate Wealth Is With This Top Tech Stock

Description

RRSP investors, **CGI Group Inc.** (TSX:GIB.A)(NYSE:GIB) is a top tech stock that provides investors with one of the easiest ways to accumulate wealth for your retirement. It's not a dividend stock; rather, it's all about shareholder value creation. I say this because CGI is a reliable stock that has provided its shareholders with generous capital gains and that continues to offer a very attractive growth profile.

CGI has a solid long-term track record of value creation through its success in growing both organically and mostly via acquisitions, some of them transformational. The company has an excellent track record of integrating acquisitions and is a force to be reckoned with from a technical as well as a business standpoint.

CGI stock has a 727% 10-year return, a 170% five-year return, and a 74% three-year return. The stock chart is impressive, demonstrating a level of stability and steadiness that RRSP investors can easily embrace.

If you're being flooded right now with thoughts of how you have missed out and how it's too late to buy this top tech stock, I have some information to give you that will help you to see that the bullish case for this stock is alive and well.

The right acquisition can change everything

CGI Group has created great shareholder value through acquisitions. One of these acquisitions in particular was huge, and indeed has transformed the company; the $2.7 billion acquisition of Logica back in 2012. With Logica, CGI gained exposure to the European IT services and consulting market, gaining the opportunity to realize big synergies through the combination of the two companies.

As an indication of the magnitude of the synergies, I will point out that today, EBIT margins are 15% compared to below 10% right after the acquisition. Remember, that's on $11.5 billion of revenue, sothe bottom line effect is huge.

Management has also shown a keen sense of timing and the patience to get it right. The Logica acquisition made sense from a timing perspective. CGI pulled the trigger when the Canadian dollar was strong and the European economy was depressed, resulting in more shareholder value creation.

At this time, management continues to signal that another big, transformational acquisition is imminent, pointing out that they are seeing more attractive valuations in the market and that they're always considering potential targets.

Management's goal is to double the company in the next five to seven years, and with $11.5 billion in revenue in fiscal 2018, it's clear that a sizable acquisition would need to be made to achieve this. If and when this happens, the potential upside to the company and the stock is huge.

Cash flows continue strong

Operating cash flow was $1.5 billion in fiscal 2018, driven by increases in margins and steady revenue growth of 6%. Between fiscal 2018 and fiscal 2021, operating cash flow is expected to grow by a compound annual growth rate of more than 9%. This doesn't include acquisitions, which would drive this number higher, especially after taking synergies into account.

While the company has made many smaller, "tuck-in" acquisitions in the past year, there's still a very healthy treasure chest of $184 million in cash and short-term investments on CGI's balance sheet. This, coupled with the massive amounts of cash flow that the company generates on a quarterly basis and low debt levels, leaves it very well positioned to finance M&A activity.

Foolish bottom line

CGI Group has definitely taken its place among the leading Canadian tech companies. With its top-notch track record of shareholder value creation and the opportunities that still exist for consolidation in the global IT services industry, this tech stock has a bright future. It is one of the easiest ways for RRSP investors to accumulate wealth while sitting down and enjoying the ride.

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