$1,000 Invested at This Stock's IPO Is Worth $500,000 Today!

Description

I couldn't believe my eyes when I stumbled upon this company. Its stock has essentially been on an upward trajectory since its IPO in 1996.

The company is a Canadian IT services provider that offers services such as consulting, systems integration, application maintenance and business process outsourcing. The company's largest market is government, which contributes to 32% of its revenues.

At a time where companies are looking to make operations more efficient through the use of technology and outsourcing, this company has positioned itself as the market leader in tech-centric operational efficiency solutions.

The company I am referring to is **CGI** (TSX:GIB.A)(NYSE:GIB) with revenues in excess of $10 billion in each of the past five fiscal years. What amazes me about this company is its efficiency.

Despite revenues increasing slightly from $10.5 billion in fiscal 2014 to $11.5 billion in fiscal 2018, its net income has surged from $859 million in fiscal 2014 to $1.14 billion in fiscal 2018.

The company is worth your investment due to its high asset to liability ratio coupled with increasing operating cash flows.

High asset to liability ratio

The company reported assets of $11.9 billion for fiscal 2018 compared to liabilities of $5.2 billion, which corresponds to an asset to liability ratio of 2.28:1.

Having a high asset to liability ratio is beneficial to shareholders in two ways.

First, it allows the company to direct its asset surplus to growing the business, which can be in the form of accepting additional business or borrowing more money against its assets for acquisitions and cost-saving improvements to its operations.

Second, in the event that the company has a dismal year, its abundance of assets allows it to free up cash that it might need to pay creditors or make strategic business decisions.

Increasing operating cash flows

It's one thing to have operating cash flows that are positive in each of the past five fiscal years, but it's quite another to have increasing operating cash flows in each of the past five years.

Luckily for investors, it's the latter for CGI, whose operating cash flow has increased from $1.2 billion in fiscal 2014 to $1.5 billion in fiscal 2018.

This is evidence that the company is growing, as an increasing operating cash flow means the company is generating more cash from its main line of business year over year.

Intuitively, this suggests that the company is itself on a path toward greater operational efficiency – hopefully with the use of its own products.

Summary

CGI has benefitted immensely from the operational efficiency trend sweeping across the world. As its main services include consulting, systems integration and business process outsourcing, it has positioned itself as the go-to company for operational efficiency needs.

With an asset to liability ratio of 2.28:1, the company has plenty of assets that it can dedicate to growing the business or keeping on hand in the event of an adverse year. This is coupled with increasing operating cash flows, which indicates that the company's main line of business is growing.

Investors can be assured that an investment in CGI will deliver generous returns down the road. After all, technology is the future.

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