



CGI Group (TSX:GIB.A) Stock Has Doubled 3 Times in the Last 10 Years!

Description

I would like to begin by just putting it right out there. I think that yes, **CGI Group Inc.** ([TSX:GIB.A](#))([NYSE:GIB](#)) is a tech stock that will likely double again. My reasoning is twofold: CGI's strong history of operational excellence and CGI's strong, leading position in the IT services industry.

CGI Group was founded in 1976 by 26-year-old Serge Godin, who initially set up shop in his basement with co-founder Andre Imbeau. Since that day, the company has honed its expertise, expanded its service and software solutions offering, and [embarked on a massive growth initiative](#), mostly through well-timed acquisitions.

Here we are today. CGI Group is a \$25-billion IT services company with a global presence. One that has grown rapidly and one that continues to grow rapidly and with purpose. In fiscal 2019, CGI Group generated approximately \$12 billion in revenue, 17.7% higher than five years earlier and 217% higher than ten years earlier.

Growth and value creation continues with another acquisition imminent

Last week, CGI reported fiscal 2019 results that demonstrated once again that this company is still growing rapidly and growing profitably. Fiscal 2019 revenue increased 5.9%, with fourth quarter revenue growing at a very healthy 7.7%.

On the fourth quarter earnings conference call, management noted that they are seeing more attractive valuations in the market. This can reasonably increase our expectations for another acquisition to be completed imminently.

CGI remains ready and well positioned for this with more than \$1.6 billion in cash flow from operations and \$1.3 billion in free cash flow in 2019. In 2019, this cash was used for acquisitions as well as share buybacks. Furthermore, the company's balance sheet is stellar, with more than \$200 million in cash and a debt-to-capitalization ratio of 24%.

Management's goal is to double the company in the next five to seven years, and with \$12.1 billion in revenue in fiscal 2019, it is clear that a sizeable acquisition will need to be made to achieve this. The potential upside to the company and the stock is huge if and when this happens.

Dividends coming soon?

As we know, there are roads to value creation for shareholders other than growth. So far, CGI Group has not ever paid a dividend. This has been for good reason, as the company has spent its money on growth, of which there has been plenty. Consolidation in this new and growing industry, on a global level, has been the main driver of value creation for CGI.

The company [generates massive amounts of cash flow](#), and this cash flow continues to be reinvested in growth opportunities. But as the company and cash flow continues to grow, we can easily see a day when a dividend might be added to CGI's shareholder value creation repertoire.

I am not counting on this anytime soon, but it is something to keep in the back of your minds, because as this company continues to grow there will eventually come a day when the company considers initiating a dividend. So we can wait for a dividend if there are still big growth opportunities out there, but as a shareholder, it is good to imagine this in the company's future.

Foolish bottom line

CGI Group stock has been a start performer over the long term. With cash flows accelerating and acquisition opportunities still plentiful, we can see it is highly likely that CGI will meet its goal to once again double its revenue. The stock can reasonably be expected to follow suit and so I remain a buyer of this proven performer.

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Date

2025/07/05

Date Created

2019/11/14

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