



Why CGI Group (GIB.A) Stock Price Fell 1.3% in December

Description

Okay, falling 1.3% in December is not a big movement in **CGI Group Inc's** ([TSX:GIB.A](#))([NYSE:GIB](#)) stock price. It is, however, a month that I view as reflective of the company's stability and reliability, which is why I'd like to review the company's stock price performance at this time.

Uncertainty doesn't bring CGI Group stock price down

In its unrelenting rise to its current glory, CGI has dealt with uncertainty before. This time, [macro uncertainty](#) affected CGI's bookings earlier in the year, but the size and diversification of CGI Group (both geographically and in the company's portfolio of products/services) enabled the company to ride this period pretty much unscathed. The stock was down marginally in December, closing out 2019 with a 28% return.

CGI Group is acquiring its way to greatness

In December, the company's latest acquisition of SCISYS closed. While the closing of SCISYS may seem pretty uneventful, I think it is an example of what makes CGI so great. The \$133 million acquisition is referred to as a "tuck-in" acquisition, as its size is pretty insignificant for a company as large as CGI, who easily paid for it with cash.

Totalling up all of CGI's tuck-in acquisitions for the year, we arrive at a total of four acquisitions in 2019, which generated revenue in excess of \$640 million. These acquisitions will all further strengthen CGI's presence in certain local markets, offer revenue and cost synergies, and further increase the company's size and strength.

At this point, we should be reminded of CGI's intention to double the size of the company in five to seven years and of the company's ability to make a huge, transformational acquisition.

With revenue of \$12 billion in fiscal 2019, cash of \$214 million, a clean balance sheet, and a strong track record of growth through acquisitions, it appears that this goal is highly achievable.

On the fourth-quarter earnings conference call, management noted [that they are seeing more attractive valuations in the market](#) and that we can reasonably increase our expectations for another acquisition to be completed imminently.

I reiterate that 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.

December seems to be the calm before the storm, but in a good sense. It's the calm before the storm of activity that is likely to take the stock soaring higher.

Given the company's strong place in the global IT industry and its visible growth trajectory ahead of it, investors would be wise to pay up for the stock at these levels.

Foolish bottom line

In closing, I would like to remind foolish investors of our belief in holding great businesses for the long-term. While this belief remains intact, we are also aware that sometimes, short-term stock price movements create opportunities to create wealth.

Blending this long-term focus with a keen eye for short-term stock mispricings, we can use both strategies in harmony, and our quest for financial freedom can be fulfilled.

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