



## Why the CGI Group Stock Price Lagged the TSX by 8.5% in March

### Description

**CGI Group Inc.** ([TSX:GIB.A](#))([NYSE:GIB](#)) stock price was coming off a period of great outperformance before the coronavirus crisis hit. But in 2020, things fell apart. In March, the **TSX** fell 17.7%. It was a month to remember. The coronavirus affected our everyday lives.

It affected our physical, emotional, and financial health. Today, in early April, this shows no signs of letting up. What we can do here at Motley Fool is relieve some the anxiety related to our financial health.

I would like to start off by reminding investors of the importance of reviewing our stock holdings periodically. In volatile times like these, a review is natural and essential.

CGI Group stock price fell 19.2% in March, lagging the TSX Index by 8.5%. This is a \$19 billion information technology (IT) services and consulting behemoth. It has all the right characteristics for long-term growth and prosperity. So why did it underperform the TSX Index so dramatically?

## CGI Group stock price lagged the TSX because it has economic sensitivity

Not only did CGI stock price lag the TSX in March, but it is also lagging year to date. Even before the coronavirus hit, CGI Group has been dealing with slowing growth in 2020. Slower than prior quarters and certainly slower than expectations.

In the latest quarter, organic growth was a measly 1%, down from 4% the prior quarter. Bookings were also weak. The coronavirus shutdowns and disruptions will accelerate this weakness, and CGI stock price is reacting to this.

## CGI Group stock price lagged the TSX as investors flock to defensive stocks

Even though [the company still has a strong balance sheet and cash flow profile](#), CGI Group stock is not a defensive stock. In this crisis, [investors have been investing more into essential businesses](#).

These are businesses that will be much less affected by the economic carnage, such as consumer staples, healthcare, and utilities.

Management is cognizant of the fact that they need to be prepared for a rainy day, which is why management focuses on maintaining a healthy balance sheet, improving profitability, and on returns.

But they can't fully escape the fact that this business is not a defensive one. We can easily see that many of their clients that are struggling today will cut expenditures related to IT services and consulting.

## 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, short-term stock price movements often create opportunities to create wealth.

Therefore, we need to blend this long-term focus with an eye for short-term stock mispricings. Only then can we use both strategies in harmony. Our quest for financial freedom can be fulfilled.

In the case of CGI Group stock price, this dramatic decline feels like a buying opportunity to me. The company is armed with global scale, expertise, and strong competitive advantages.

Its balance sheet will ensure that it will survive, and one day, thrive again.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NYSE:GIB (CGI Group Inc.)
2. TSX:GIB.A (CGI)

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