1 Growth Stock I Wish I'd Bought a Year Ago

Description

Sometimes I look at stocks on the TSX and I see great value. At the time, it is sometimes hard to believe that investors haven't found these undervalued stocks. One such stock is **Calian Group** (TSX:CGY). I wrote about this stock over a year ago, citing its value and potential. Over the past couple of years, the stock rocketed from around $30 where I first started looking at it to over $50 a share.

I wish I'd bought this stock on my own recommendation. Investors are beginning to take note of Calian's positive attributes. It's a great business with a strong dividend that is poised for future growth.

A growth business

Calian offers technology-focused services that meet the needs of this growing segment of the economy. Many of its services focus on high-demand areas like cybersecurity, health, training, and information technology solutions. Much of its services can also likely be done remotely. The option for remote working mitigates the impact of the global pandemic lockdown.

The company's customers cover a wide range of sectors. Calian provides services to the information technology, media, and defence sectors, among others. It recently received a $22 million cybersecurity defence contract for the Department of National Defense. These government contracts are quite secure with steady resulting cash flows.

The results speak for themselves

Calian performed well, although its results are not completely immune to the impacts of a slowing economy. In its Q2 2020 report, Calian mentioned that it achieved record quarterly revenue for the seventh consecutive quarter. This is especially encouraging, since the results came out on May 12 and included, at least in part, the impact of the pandemic lockdown.

Record revenue exceeded $100 million year over year for the first time at $104 million. Net profit increased by 36% year over year. The company also locked in $140 million in new contracts over the quarter, stabilizing income and revenue for the future. The results should keep the 2% dividend in place and growing in the future.

The downside

Calian doesn't have a lot of negative aspects, but there are a few nit-picking items to note. There is the fact that this previously debt-free company took on some leverage recently. Nevertheless, the debt is small, so Calian remains in a net-cash position, which is fantastic. It is also more expensive after a quick run-up in price.

There is also the possibility that contracts could begin to dry up, as companies cut capital expenditures. Of course, Calian's customer base is quite broad, and many are very secure, so it shouldn't be too big a problem for them.

Finally, there is the "you-can't-own-everything" issue. I only have so much money to invest, so I decided to buy shares of American tech over a smaller company like Calian.

The bottom line

So, why didn't I buy it? Well, it really comes down to the fact that you can't own everything. I know that its services are lucrative businesses with a low capital cost, but I prefer to pure plays in each sector. Its cybersecurity business is attractive given the move to online offices. I'd decided to focus on American pure cybersecurity companies over broad businesses like Calian.

This is a good business with growth ahead of it. If you are looking for a Canadian company focused on technology solutions, this could be the one for you. Its dividend is also appealing, especially considering that many stocks in technology-related sectors do not pay one.

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