



## Better Contrarian Buy: BlackBerry (TSX:BB) vs. CGI Group (TSX:GIB.A)

### Description

The technology sector has performed exceptionally well this year given the surge in demand for its products and services amid the pandemic. However, some companies, such as **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) and **CGI Group** ([TSX:GIB.A](#))([NYSE:GIB](#)), have failed to participate in this rally and offer excellent value for investors with a long-term outlook.

So, let's look at which among the two companies offer a better buying opportunity right now.

### The case for BlackBerry

BlackBerry has lost over 23% of its value this year. Its exposure to the United States automotive industry, which was hit badly by pandemic, has weighed heavily on its stock price. However, yesterday, the company reported better-than-expected [second-quarter performance](#).

BlackBerry's revenue came in at US\$266 million, beating analysts' expectations US\$237.03 million. Its adjusted EPS was also significantly higher than analysts' expectations of US\$0.02 at US\$0.11.

The growth in its security software products and patent licensing business drove the company's top-line. In the first quarter, the company had combined its Unified Endpoint Management (or UEM) and Unified Endpoint Security ( or UES) to form the Spark Suite, which has been in great demand. The platform has helped the company in acquiring many blue-chip clients across the world during the quarter.

Recently, the company has launched its Guard platform in the Managed Detect and Respond Services (MDR) segment. Amid the surge in cyberattacks, Frost & Sullivan has estimated the MDR market to reach US\$2 billion by 2024. So, given the growth potential, the company plans to expand its channel programs to increase its revenue.

Meanwhile, the company's BTS (BlackBerry Technology Solutions) segment showed some recovery compared to its last quarter lows amid the improvement in the automotive production volumes. The company's management expects its revenue from the segment to reach its normal level by early next

year.

In the second quarter, the company generated US\$31 million of cash from its operations, which raised its cash, cash equivalents, and investment to US\$977 million. So, the company's liquidity position looks healthy. Also, the company has reiterated its revenue guidance for this fiscal to be at US\$950 million.

## CGI Group

Over the last five years, CGI Group has delivered strong performance by returning over 140% at a compound annual growth rate (CAGR) of 19.7%, comfortably outperforming the broader equity markets. Its impressive fundamentals during the period supported the rally. The company had maintained its adjusted EBIT margin above 14%, while its adjusted EPS grew at a CAGR of 10.7%.

However, the end-to-end business solution provider has been under pressure this year. It has lost over 17% of its stock value. The decline in the demand for its services — primarily in the manufacturing and retail and distribution sectors — amid the pandemic-infused slowdown has weighed heavily on its financials and stock price. In its recently completed third quarter, its top-line and adjusted EBIT fell by 2.2% and 5.5%, respectively.

Meanwhile, the company's book-to-bill ratio increased from 88.9% in the second quarter to 93.1%, indicating an improvement in the demand for its services. Also, the pandemic has fastened the digitalization process. So, the demand for CGI Group's products could rise in the years to come.

The company also focuses on acquisitions to drive its financials. It has acquired SCISYS Group, Meti Logiciels et Services SAS, and TeraThink Corporation since December 2019. With its cash and cash equivalents standing at \$1.37 billion, the company has ample liquidity to not only ride out this crisis but also fund its future acquisitions. So, the company's growth prospects look secure.

## Bottom line

Currently, BlackBerry and CGI Group trade at a forward EV-to-sales multiple of 2.6 and 2.1, respectively. Despite its higher valuation, I prefer BlackBerry, [given its impressive growth prospects](#). With more people choosing to work, learn, and shop remotely, the spending on cybersecurity could rise significantly in the coming years, which could benefit BlackBerry.

### CATEGORY

1. Tech Stocks

### TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. NYSE:GIB (CGI Group Inc.)
3. TSX:BB (BlackBerry)
4. TSX:GIB.A (CGI)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

**Category**

1. Tech Stocks

**Date**

2025/07/08

**Date Created**

2020/09/25

**Author**

manjapla

default watermark

default watermark