RRSP Investors: Hold This Value Stock for 20 Years

Description

Computer Modelling Group (TSX:CMG) is a computer software technology firm engaged in the development and licensing of reservoir simulation software. The company is organized into one operating segment represented by the development and licensing of reservoir simulation software. Computer Modelling Group (CMG) licenses reservoir simulation software, which assists oil and gas companies with extracting significantly increased volumes of oil and gas from reservoirs.

CMG has a price-to-earnings ratio of 22.66, price-to-book ratio of 12.11, dividend yield of 3.03%, and market capitalization of $520 million. Debt is very sparingly used at CMG, as evidenced by a debt-to-equity ratio of just 0.96. The company has excellent performance metrics with an operating margin of 39.93% and a return on equity of 55.91%.

CMG's goal is to be the world's leading developer and supplier of dynamic reservoir modelling systems. This is a rapidly growing segment of the simulation marketplace as a result of declining petroleum production from conventional reservoirs and recovery methods.

There is an increasing need from all areas of the world to enhance production from all types of new and existing reservoirs using advanced hydrocarbon recovery techniques. In a low oil price environment, when companies decrease new drilling programs, it becomes increasingly important to produce economically from existing assets and simulation becomes more valuable in optimizing this production.

CMG has made significant strides towards becoming the leader in the provision of all reservoir simulation technologies as a result of ongoing enhancements to the company's robust product line, advances in physics, computational speed, and parallel computing ability. The company provides clients with technologically advanced tools to handle the most difficult hydrocarbon recovery processes with flexible licensing options that allow clients to optimize simulation needs.

CMG sells reservoir simulation software licences to more than 600 oil and gas companies, consulting firms, and research institutions in approximately 60 countries. The company also performs both funded research and consulting services for many clients around the world. Many of the world's largest oil and

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gas companies have partnered with CMG to assist in the development, testing, and refinement of new simulation technologies.

Training programs enable the company's clients to become more efficient and effective users of the CMG's software, which, in turn, contributes to higher client satisfaction. CMG's free training helps it develop and maintain long-term relationships with clients.

The company's strategy is to increase revenue while advancing technology. To accomplish this, the company invests a significant amount of resources each year towards advancing proprietary technology. Continuous and consistent investment in research and development helps to ensure that CMG's existing proven technology continues to be industry leading.

Oil and gas companies utilize reservoir simulation as it provides vital information and both a quantitative and a visual interpretation of how reservoirs will behave under various recovery techniques. Understanding how a petroleum reservoir will react to advanced hydrocarbon recovery processes prior to expending the capital on drilling wells is less costly than trying the various techniques on actual wells. CMG is well positioned to be a market leader in the simulation of these advanced hydrocarbon recovery techniques in petroleum reservoirs.

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