CGI Stock Up After Earnings: Time to Buy?

Description

CGI (TSX:GIB.A)(NYSE:GIB) shares climbed a touch on Wednesday after solid earnings. On the one hand, it seems like it's the diamond in the rough, actually climbing while other tech stocks drop. However, with an increase of just 3%, there is still so much more this top tech stock can accomplish. So is there still an opportunity to buy CGI stock?

What happened?

CGI has been an acquisition powerhouse, continuing to bring in organic and inorganic growth. During its latest quarter, the business and IT consulting firm reported a 2.4% increase in year-over-year revenue, with net earnings up 11.9%. Furthermore, it has a $23.58 billion backlog.

It was a strong start to the beginning of the year, and beat out analyst estimates. CGI stock reported $1.49 in diluted earnings per share, beating the expected $1.45 by analysts. Management expects even more double-digit growth in 2022, especially with that large backlog.

So what?

It seems that Motley Fool investors didn't know what to think with these recent earnings. CGI has long been a strong company, but there has been a tech crash that has brought down every type of tech company. Shares are up 10% since coming down in the last month to where they were at the started of 2021.

So in the near term, it looks like there could be some volatility ahead for CGI stock. But honestly, it's completely unwarranted. It seems to me the stock is being weighed down by the tech industry as a whole, rather than being assessed on its own merit. But long term, Motley Fool investors would do well to consider this stock. The world will continue to need IT companies, especially as the transition to cloud-based data continues in this new work-from-home environment. And CGI has an edge, using artificial intelligence to create a streamlined, efficient approach to business management.

And CGI stock has proven time and again it can handle disruptions. In the past decade alone, the shares have climbed 400%! The only real drop was after the March 2020 crash, and shares are now past 2019 levels.

Now what?

CGI stock remains at significantly undervalued prices, even within the tech sector. That's especially considering the backlog of growth projects it has available in the next year or so. Acquisition costs of $2 or $3 million is therefore a small price to pay.

Analysts continue to recommend CGI stock, and currently it has a consensus target price of $128. That's a 14% potential upside from today's share price at $112. Furthermore, it's near value territory, trading at 20 times earnings, and 3.57 times book value.

CGI stock remains an ideal investment for those who want a strong company with a solid path for growth. It continues to find new acquisitions, and has plenty on the books to make more in the next year during this depressed environment.

That's all to say, even after this slight jump in share price. I think CGI stock is absolutely a buy, especially for those seeking out a great long-term investment in the tech sector.

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