



## Construct Your Portfolio With These 2 Engineering Companies

### Description

The backbone of every industry is its infrastructure: its buildings and equipment. Before we can have a skyscraper, an oil rig, or even a storage facility, someone has to put in the long hours to design and develop it on paper. That is where these two companies come in. These are the companies that design the facilities that process the oil we need to drive. They also design the bridges that allow us to cross rivers, and they create the plans to keep it all running.

So before you go investing in any old industry, take a look at these two companies to see where it all begins.

### The insatiable devourer

**Stantec** ([TSX: STN](#))([NYSE: STN](#)) has been quite the glutton in terms of acquisitions, consuming 79 companies between 2000 and April 2014. The trend appears to be continuing, with two additional deals announced in May. The first one is for USKH Inc., a 130-person-strong multi-discipline design firm based in Alaska.

The second deal is for SHW Group, which will add an education-focused designer to the company's portfolio. SHW Group is a nearly 300-person firm providing architectural, interior design, planning, and engineering services for K-12 schools, as well as higher education clients such as Texas A&M and Michigan State.

Along with these acquisitions, Stantec is looking forward to its core operations benefiting from a rebounding oil and gas sector. This is rebound is key for Stantec as energy and resource companies make up 43% of its revenue. The books are looking structurally sound with net revenue in the past quarter of \$481 million, up from \$426 million during the same period last year.

Net income also rose to \$33.5 million, or \$0.72 per share, up from \$28.4 million, or \$0.62 per share during the first quarter of 2013. Following the most recent acquisition announcements, combined with other factors, analysts has pushed the average price target for Stantec to \$73.20. This gives investors some room for growth, with the stock closing Wednesday at \$66.04.

## Recovering from controversy

Next up is Stantec's main Canadian competitor, **SNC-Lavalin Group** (TSX: SNC). The company has had a rough year in the headlines, with various accusations of bribery and scandals following it at every turn. Yet the company continues to engage in its core business of engineering and construction. Despite revenue in the past quarter falling to \$1.7 billion from \$1.9 billion, net income rose to \$94 million from \$53 million.

When SNC-Lavalin announced that it would be selling its stake in AltaLink for \$3.2 billion to Berkshire Hathaway Energy, investors were left wondering what the company would do with the cash. The answer has apparently revealed itself in the recent announcement to purchase U.K.-based global oil and gas services company **Kentz Corp Ltd** for \$2.1 billion, or \$17.13 per share. The addition of Kentz will bring SNC-Lavalin's oil and gas sector workforce to 18,500 employees, compared to the company's total workforce of 44,500.

In total, SNC-Lavalin is believed to be sitting on \$13 billion worth of backlogged projects; this in turn has pushed the average price target up to \$60.20 with a rating of "outperform". The more bullish analysts have pegged the company to reach as high as \$64.00 in the coming year. Compare this outlook to the Wednesday closing price of \$56.35 with a 52-week range of \$39.47 to \$57.20.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:STN (Stantec Inc.)
2. TSX:ATRL (SNC-Lavalin Group)
3. TSX:STN (Stantec Inc.)

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