

5 Reasons to Invest in SNC-Lavalin Group Inc

Description

SNC-Lavalin Group Inc (TSX: SNC) has had its share of bad press with fraud and bribery charges brought against former company executives. However, the company has cleaned house and reaped a bevy of new contracts that will position it for greater growth.

Income investors should consider going along for the ride with SNC-Lavalin as it undertakes these projects. Here are five reasons to add this stock to your portfolio.

1. Breadth of services

SNC-Lavalin provides engineering, procurement, and construction services in more than 40 countries. The company has wide-ranging experience in designing and building top turnkey infrastructure projects globally.

It has close to 100 years of experience in project management. Its capabilities also include mass transit, power, telecommunications, resources, infrastructure and buildings, risk engineering, and insurance, among many others.

2. New Middle-Eastern focus

SNC-Lavalin operates in North America, Latin America, Europe, Asia Pacific, the Middle East, and Africa. Last year, it started the implementation of its Global Operations model. This model is to better integrate its business development and project delivery efforts internationally. Its new growth focus is the Middle East. The company opened a regional office for the Middle East and Africa in Abu Dhabi this year.

SNC-Lavalin has a General Engineering Services+ contract with oil company Saudi Aramco and is providing services for more than 150 projects under the contract.

3. Proposed Kentz Corporation Limited acquisition

SNC-Lavalin is focusing on becoming a worldwide Tier-1 engineering and construction company and the Kentz Corporation Limited acquisition is a component of this strategy. This week, the company announced that Kentz's shareholders voted in favour of SNC-Lavalin's recommended cash offer of \$2.1 billion.

Kentz is an international engineering specialist solutions provider with three segments — construction services, technical support services, and engineering and projects. Its client base is largely major companies in the oil and gas, petrochemical and mining, and metals sectors. Kentz had a prospects pipeline of US\$16.3 billion in April 2014. This represents an increase of 19% in comparison to April 2013. Kentz has positions in the Middle East, North America, and Asia Pacific and a major presence in Australia.

4. Recent projects awarded

This week, SNC-Lavalin announced it was awarded the engineering, balance of plant procurement, and construction contract for the St. Charles Energy Center Project in Maryland by Competitive Power Ventures, Inc. In addition, it was awarded a five-year contract to deliver integrated real estate solutions projects for Infrastructure Ontario and its 26 ministry clients. Moreover, there's the possibility of five one-year extension terms exercisable at Infrastructure Ontario's option with this contract.

5. Operational consolidation to optimize performance

SNC-Lavalin has consolidated its operating units for greater focus and efficiency, which should result in cost savings. Its three key markets are resources, power, and infrastructure.

Resources encompasses oil and gas, mining and metallurgy, and environment and water. Power encompasses nuclear, transmission and distribution, hydroelectric, and thermal. Infrastructure encompasses infrastructure concession investments, infrastructure and construction, and operations and maintenance.

SNC-Lavalin has instituted change in its corporate towers as it looks to move ahead and leave the debacle of past charges behind it. The company has since put in place a world-class ethics and compliance system.

Earning the trust of investors isn't always easy to accomplish, but with project strength and ethical management, SNC-Lavalin has the potential to drive greater returns for itself and investors.

CATEGORY

1. Investing

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1. TSX:ATRL (SNC-Lavalin Group)

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Author

mugulini

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