



When Is the Right Time to Buy SNC-Lavalin Group Inc?

Description

SNC-Lavalin Group Inc. (TSX: SNC) is a great company with a (formerly) bad reputation. It was surrounded by scandal — its previous management having been charged with fraud, bribery, and rigging of tenders.

The premier engineering company, however, has risen from the mess and cleaned up its act. This week saw a ninth executive charged in the alleged fraud of \$22.5 million related to the awarding of the McGill University super-hospital project. It's safe to say SNC-Lavalin has tossed out the old management, brought in new executives, and managed to not lose business in the process.

The company is a leading engineering and construction company that also provides procurement and construction services around the world and, since the scandal, it is a much better-run company today. Under new CEO Robert (Bob) Card, it is monitoring non-strategic assets and buying those that ensure growth to the company instead.

It has sold its Alberta electricity distribution company, AltaLink, for \$3.2 billion and has also announced that its stake of almost 20% in Highway 407 is up for sale. Additionally, it completed its acquisition of British engineering company Kentz Corporation Limited last month, which adds to its margins and gives more weight to its oil and gas division.

SNC-Lavalin also recently signed a number of projects. It was awarded a five-year contract for Infrastructure Ontario and its 26 ministry clients as well as a contract by Competitive Power Ventures Inc. for the St. Charles Energy Center Project in Maryland.

Given all these factors, the company is indeed a great growth stock, with a positive outlook. The big question remains: When is a good time to buy the company? Currently, its shares trade around the \$53-\$54 mark. Is that a cheap buy? Some portfolio managers say yes. If you ask me, I'd buy it under 50 bucks for optimum value.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATRL (SNC-Lavalin Group)

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