



## Should You Use the Weakness in SNC-Lavalin Group Inc.'s Stock as a Buying Opportunity?

### Description

**SNC-Lavalin Group Inc.** (TSX:SNC), one of the largest engineering and construction companies in the world, announced fourth-quarter earnings before the market opened on March 5, and its stock has responded by falling over 3%. Let's break down the quarterly results to determine if we should consider using this weakness as a long-term buying opportunity, or if we should wait for an even better entry point in the trading sessions ahead.

### Breaking down the fourth-quarter results

Here's a summary of SNC's fourth-quarter earnings results compared to its results in the same period a year ago.

Metric	Q4 2014	Q4 2013
Adjusted Earnings Per Share	\$0.70	\$0.70
Revenue	\$2.82 billion	\$2.12 billion

Source: *SNC-Lavalin Group Inc.*

SNC's adjusted earnings per share remained unchanged and its revenue increased 32.7% compared to the fourth quarter of fiscal 2013. The company's lack of earnings per share growth can be attributed to its adjusted net income increasing just 0.6% to \$106.67 million, including an increase of 23.2% to \$22.68 million in its Engineering & Construction segment and a decline of 4.1% to \$83.99 million in its Infrastructure Concession Investments segment. Its very strong revenue growth can be largely attributed to its acquisition of Kentz Corporation Limited, which was completed in August of 2014 and helped lead to Services and Packages revenues increasing 48.6% to \$2.27 billion.

Here's a quick breakdown of six other notable statistics and updates from the report compared to the year-ago period:

1. Revenue from services increased 47.8% to \$1.03 billion

2. Revenue from packages increased 49.3% to \$1.24 billion
3. Revenue from operations and maintenance increased 1.3% to \$342.6 million
4. Revenue from infrastructure concession investments decreased 21.6% to \$200.7 million
5. Ended the quarter with a revenue backlog of approximately \$12.3 billion, an increase of 48.7% from the end of the year-ago period
6. Ended the quarter with \$1.7 billion in cash and cash equivalents, an increase of 53.5% from the end of the year-ago period

SNC also announced a 4.2% increase to its quarterly dividend to \$0.25 per share, and the next payment will come on April 2 to shareholders of record at the close of business on March 19. This marked the 15th consecutive year in which the company has raised its dividend, showing that it is strongly dedicated to maximizing returns to shareholders.

### **Is now the time to buy SNC-Lavalin's stock?**

SNC-Lavalin is one of the world's leading engineering and construction companies, and its strategic acquisition of Kentz Corporation led it to post very strong fourth-quarter results, but its stock has responded by falling over 3%.

I think the post-earnings weakness in SNC's stock represents a great long-term buying opportunity, because it trades at low valuations and has continually increased its returns to shareholder through the payment of dividends.

First, SNC's stock trades at just 15.4 times fiscal 2014's adjusted earnings per share of \$2.46 and a mere 12.9 times fiscal 2015's estimated earnings per share of \$2.95, both of which are extremely inexpensive compared to its five-year average price-to-earnings multiple of 43.

Second, the company pays an annual dividend of \$1.00 per share, which gives its stock a 2.6% yield at current levels, and it has increased its dividend for 15 consecutive years, so I think this makes it qualify as both a value and dividend-growth play today.

With all of the information provided above in mind, I think SNC-Lavalin represents one of the best long-term investment opportunities in the market today. Foolish investors should take a closer look and strongly consider using the post-earnings weakness to begin scaling in to long-term positions.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:ATRL (SNC-Lavalin Group)

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1. Investing

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