



## Why WSP Global Inc. Might Be a Better Buy Than SNC-Lavalin Group Inc.

### Description

**WSP Global Inc.** ([TSX: WSP](#)) might not be a household name in Canada, but the engineering consultancy firm is generating impressive returns after making a big play into the U.S. construction market last year.

WSP's stock is up 20% year to date after the company purchased the Parsons Brinckerhoff Group in the United States for \$1.3 billion in 2014. A large price tag, to be sure, but Parsons has a number of major projects in the hopper, including California's planned bullet train and a new rail line for New York's subway. Parsons designed New York's first subway line in 1904.

"Parsons is going to be a very strong acquisition," Chris Murray, an AltaCorp Capital analyst in Toronto, said in a recent interview with the *Financial Post*. "If there was one place I would have wanted to be in, it would have been transportation in the U.S. over the next five years—and Parsons is there."

And WSP is an international player. Among its other projects is the Shard in London, an 87-storey glass tower and the tallest building in the European Union, as well as a new subway system in Stockholm.

WSP posted notable fourth-quarter sales results, with U.S. revenues climbing 11% to \$193 million, while Canadian sales rose 2% to \$201 million. For the year, revenues rose to \$2.9 billion, up 44% from the previous year, mainly as a result of acquisitions. WSP expect a staggering 75% rise in total revenues this year, in a range of \$4.1 billion to \$4.6 billion.

To be clear, WSP Global is slightly different than **SNC-Lavalin Group Inc.** (TSX:SNC), because it is a pure-play design consultancy, while SNC also handles construction projects. Still, the two companies are often compared by analysts, who see them on divergent paths, particularly with SNC facing RCMP criminal charges over allegations of fraud in its Libyan operations. The company has denied the charges, but there's little question that SNC's reputation has taken a hit.

In its latest quarter, SNC's adjusted earnings per share remained unchanged and its revenue increased 33% compared to Q4 2013, largely due to its \$1.4 billion acquisition of Kentz Corporation, which provides services to the energy and resources sector, and could suffer with the recent sharp

decline in oil prices. Since the acquisition, SNC shares have fallen nearly 30% and are down 11% year to date.

In the long term, both companies are likely buying opportunities, particularly if you are a bargain hunter looking at SNC. But WSP Global may have the edge due to its superior record of acquisitions and stock price momentum.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:ATRL (SNC-Lavalin Group)

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