



## The Case to Buy SNC-Lavalin Group Inc. Today

### Description

**SNC-Lavalin Group Inc.** (TSX:SNC), one of the largest engineering and construction companies in the world, has watched its stock underperform the overall market in 2015, rising less than 0.5% as the TSX Composite Index has risen over 3.5%, but I think it could be one of the top performing stocks over the next three to five years. Let's take a look at three of the primary reasons why this could happen and why you should be a long-term buyer today.

#### 1. Double-digit first-quarter growth to support a near-term rally

On the morning of May 7 SNC released very strong first-quarter earnings results, and its stock has responded by rising over 3% in the trading sessions since. Here's a breakdown of 10 of the most notable statistics from the report compared with the year-ago period:

1. Net income increased 10.7% to \$104.83 million
2. Diluted earnings per share increased 9.7% to \$0.68
3. Total revenue increased 31.2% to \$2.26 billion
4. Revenues increased 60.3% to \$977.97 million in its Packages segment
5. Revenues increased 72.7% to \$869.59 million in its Services segment
6. Revenues decreased 4.7% to \$357.42 million in its Operations & Maintenance segment
7. Revenues decreased 77.5% to \$52.07 million in its Infrastructure Concession Investments segment
8. Gross profit decreased 5.5% to \$337.15 million
9. Earnings before interest and taxes decreased 40.1% to \$101.16 million
10. Revenue backlog increased 38.9% to \$11.63 billion

The very strong results above can be largely attributed to SNC's "landmark" \$1.97 billion acquisition of Kentz Corp., which closed in the third quarter of 2014 and was the primary driver behind the company's revenues increasing over 60% in its Packages and Services segments.

#### 2. The stock trades at very inexpensive forward valuations

At today's levels, SNC's stock trades at just 18.5 times fiscal 2015's estimated earnings per share of

\$2.40 and only 16 times fiscal 2016's estimated earnings per share of \$2.78, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 43.

I think SNC's stock could consistently command a fair multiple of at least 24, which would place its shares upwards of \$57 by the conclusion of fiscal 2015 and upwards of \$66 by the conclusion of fiscal 2016, representing upside of more than 28% and 48%, respectively, from current levels.

### 3. An impressive streak of dividend increases

SNC pays a quarterly dividend of \$0.25 per share, or \$1 per share annually, giving its stock a 2.25% yield at current levels. A 2.25% yield may not impress you at first, but it is very important to note that the company has increased its annual dividend payment for 15 consecutive years, making it one of the top dividend-growth plays in the market today.

### Should you buy shares of SNC-Lavalin Group today?

I think SNC-Lavalin Group represents one of the best long-term investment opportunities in the market today. It has the support of very strong first-quarter earnings results, its stock trades at attractive forward valuations, and it has increased its dividend for 15 consecutive years with a current yield of approximately 2.25%. Foolish investors should take a closer look and strongly consider making SNC a core holding today.

#### CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

#### POST TAG

1. Editor's Choice

#### TICKERS GLOBAL

1. TSX:ATRL (SNC-Lavalin Group)

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