WSP Global Inc. Outguns Competitors Due to Acquisitions & International Growth

Description

It's tough for Canadian investors to admit, but the ongoing weakness in oil prices has left many publicly traded companies sitting on weaker-than-expected earnings reports, which has, in turn, pushed share prices lower. However, one company firmly bucking the trend is engineering services firm **WSP Global Inc.** (TSX:WSP) mainly due to its focus on acquisitions and international operations.

In the last quarter the firm won a $150 million highway upgrade in Australia and a $700 million high-speed rail project in California. The company also posted a 12% increase in organic growth in Europe, the Middle East, India, Africa, and 11% growth in China. By comparison, Canadian growth slumped 6% in the quarter.

"Investors are rightfully skittish [about] having exposure to Canada," said Maxim Sytchev, an analyst at Dundee Capital Markets. "[WSP] is the name to own in this uncertain macro environment."

WSP was busy on the acquisition front in the second quarter, picking up an engineering firm and a telecommunications company, both based in Sweden. In 2014 WSP acquired Parsons Brinckerhoff, and said this week that it will meet previously announced cost synergies of $12.5 million for 2015 and $25 million for 2016.

"We have an attractive global platform that is attracting the interest of international targets," said company CEO Pierre Shoiry in a conference call with analysts. "We believe in the strength of our business model and the effectiveness of our growth strategy and we will remain focused on driving organic growth, leveraging our global know-how and identifying opportunities to acquire professional services firms with complementary expertise."

WSP's second-quarter results were impressive, with revenues more than doubling to $1.5 billion mainly as a result of acquisitions. Net earnings attributable to shareholders rose 74% to $45.8 million or $0.51 per share, beating analyst expectations of $0.47 per share. The company also has a backlog of $4.56 billion, representing about 9.5 months of revenue.

WSP's shares have gained 27% year-to-date, easily besting its main competitors, **SNC Lavalin Group Inc.**, which is down 1% this year, and **Aecon Group Inc.**, which is up just 0.4%. WSP has a dividend of $0.38 per share and a healthy dividend yield of 3.37%.

“We expect WSP to outperform its peers given its low exposure to oil and gas,” said Dejardins Securities analyst Benoit Poirier in a note to clients. “We also believe that concerns about the potential impact from a weaker Eurozone, underscored by the situation in Greece, are overstated given WSP derives only about 3% of its revenue from the region.”

Although WSP’s valuation is not cheap, experts believe it will maintain its forward momentum based on the company’s continued growth, consistently strong financial results, and future acquisitions.

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