



3 Top Engineering Stocks for 2016 and Beyond

Description

Canada's engineering and construction industry has become highly competitive and it is constantly evolving, making it a battleground for the companies that operate within it, and making it even harder on investors looking to profit from its growth.

One way to minimize risk and set your portfolio up for long-term growth is to find stocks that are trading at inexpensive forward valuations compared with their recent averages, but as we all know, this can be a difficult task. To make things very easy for you, I have done the hard part and found three stocks that meet this criterion perfectly, so let's take a quick look at each to determine which would be the best fit for your portfolio.

1. WSP Global Inc.

WSP Global Inc. ([TSX:WSP](#)) is one of the world's leading engineering professional services consulting firms. It provides services to "transform the built environment and restore the natural environment," and its expertise includes engineering, environmental remediation, urban planning, and designing sustainable transport networks.

At today's levels, its stock trades at just 20.3 times fiscal 2015's estimated earnings per share of \$2.14 and only 15.8 times fiscal 2016's estimated earnings per share of \$2.76, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 23.8, its five-year average multiple of 27.7, and the industry average multiple of 23.9.

With the average multiples above and its estimated 27% long-term earnings growth rate in mind, I think WSP's stock could consistently trade at a fair multiple of at least 20, which would place its shares upwards of \$55 by the conclusion of fiscal 2016, representing upside of over 26% from current levels.

In addition, the company pays a quarterly dividend of \$0.375 per share, or \$1.50 per share annually, giving its stock a 3.45% yield.

2. Stantec Inc.

Stantec Inc. ([TSX:STN](#))([NYSE:STN](#)) is one of the world's leading providers of comprehensive professional services in the area of infrastructure and facilities. Its services include planning, engineering, architecture, interior design, surveying, environmental sciences, project management, and project economics for infrastructure and facilities projects.

At today's levels, its stock trades at just 19.1 times fiscal 2015's estimated earnings per share of \$1.83 and only 16.6 times fiscal 2016's estimated earnings per share of \$2.11, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 19.5, its five-year average multiple of 59.8, and the industry average multiple of 23.9.

With the average multiples above and its estimated 13.5% long-term earnings growth rate in mind, I think Stantec's stock could consistently trade at a fair multiple of about 20, which would place its shares upwards of \$42 by the conclusion of fiscal 2016, representing upside of more than 20% from current levels.

Additionally, the company pays a quarterly dividend of \$0.105 per share, or \$0.42 per share annually, giving its stock a 1.2% yield.

3. Aecon Group Inc.

Aecon Group Inc. ([TSX:ARE](#)) is one of Canada's leading providers of construction and infrastructure development services. Its services include the development, financing, designing, engineering, construction, and operation of infrastructure projects.

At today's levels, its stock trades at just 20.3 times fiscal 2015's estimated earnings per share of \$0.72 and only 14.8 times fiscal 2016's estimated earnings per share of \$0.99, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 25.5, its five-year average multiple of 38, and the industry average multiple of 23.9.

With the average multiples above and its estimated 8.1% long-term earnings growth rate in mind, I think Aecon's stock could consistently trade at a fair multiple of about 20, which would place its shares upwards of \$19 by the conclusion of fiscal 2016, representing upside of about 30% from current levels.

Also, the company pays a quarterly dividend of \$0.10 per share, or \$0.40 per share annually, giving its stock a 2.7% yield.

Should you buy one of these engineering stocks today?

WSP Global, Stantec, and Aecon Group are three of the top value plays in the engineering industry today, and all have the added benefit of dividends. Foolish investors should take a closer look and consider establishing positions in one of them today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:STN (Stantec Inc.)

2. TSX:ARE (Aecon Group Inc.)
3. TSX:STN (Stantec Inc.)

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