



Is it Time to Buy Aecon Group Inc.?

Description

Aecon Group Inc. ([TSX:ARE](#)) is involved in three business segments that make it a balanced and diversified company. Not surprisingly, energy was the weak spot in 2015, but Aecon's diversity has been very beneficial to the company as the infrastructure segment has more than offset this.

Here are some highlights from Aecon's very strong fourth quarter 2015 and full year 2015.

Strong revenue growth

In the fourth quarter, revenue increased 25% to \$864 million; mining revenue increased 35% and infrastructure revenue increased 22%.

Strong, growing backlog

Although the backlog of \$3.3 billion was down slightly from the prior quarter's backlog of \$3.4 billion, it is 23% higher than last year. By far, the biggest backlog is from the infrastructure segment, which increased over 70% to \$2.1 billion. The infrastructure segment currently accounts for 33% of revenue. On the energy side, the backlog declined 23% to 735 million, which is not really surprising.

Clearly, these numbers speak to the value of the company's diversified sources of revenues and point to a strong 2016.

Sale of Quito International Airport concession

In 2015 the company sold its interest in Quito for US\$195 million, and Aecon repaid its \$92 million convertible debenture because of this. This has improved the company's balance sheet and its liquidity position, leaving it with good financial capacity and flexibility to pursue growth.

Another increase in the dividend

For the fifth consecutive quarter, Aecon increased its dividend. The annual dividend was increased to \$0.46 from \$0.40, or 15%.

Still working on margins

Aecon's EBITDA margin has been slow to improve and was 4.9% in 2015. For 2016, the company expects to achieve a margin of almost 5.5% due to strength in the infrastructure and energy segments' margins.

Liberal government's plans

The fact that the Liberal government has made a commitment to boost spending on infrastructure is very bullish for Aecon. Trudeau's plans are to double federal infrastructure spending in the next two years and to almost double infrastructure investment to nearly \$125 billion over the next decade. There will be new dedicated funding to provinces, territories, and municipalities for public transit infrastructure, social infrastructure, and green infrastructure.

In closing, the momentum has continued into 2016.

The company recently announced that it has been awarded a \$2.75 billion contract for the refurbishment of the Darlington Nuclear Generating Station in Ontario. It is a 50/50 joint venture with **SNC-Lavalin Group Inc.**, so this represents a \$1.375 billion contract for Aecon, which will be added to the company's backlog in its energy segment. Work is to begin in 2016 and the duration is approximately 10 years.

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