



Will Construction Stocks Reap Rewards From the Liberal Budget?

Description

The much-anticipated Liberal budget was recently announced. Many had expected a sort of big bang on infrastructure and construction projects, especially given the rhetoric with which the topic was raised on the campaign trail.

While there was some mention of the need for construction projects and, more importantly, some funds allocated, it lacked the overall excitement many had expected.

Here's a look at what was mentioned and how this impacts the country's largest construction companies.

The Liberal budget and infrastructure spending

Before the Liberals were elected, they promised an infrastructure spending boost of \$8.6 billion with focus on public transit, housing, and water systems taking priority.

That figure is expected to go up each year by up to \$1.29 billion for a roughly 20-30% increase. The spending is also not equally distributed between transit, social, and green infrastructure as some proposed. Instead, the focus, at least for the first phase of the project, will be on upgrading and modernizing the direct elements of public infrastructure, specifically transit and water systems.

Subsequent phases and funding may have to wait for the results of the next election to see if the Liberal mandate is extended. Likely, the second phase will focus on bridges and ports.

How will construction companies fare?

Aecon Group Inc. ([TSX:ARE](#)) is the largest publicly traded construction firm in the country. No stranger to large projects, the Toronto-based company is well known the world over for some highly visible projects, including the CN Tower, Vancouver Sky Train, and Montreal-Trudeau Airport.

Aecon already has \$4.5 billion worth of planned projects queued up and expects more projects to be added as a result of the budget.

Countless more projects are already active, including the \$250 million project to revamp Bermuda's new airport terminal that is slated to open by 2020 and a number of provincial highway improvements that are valued at \$34.5 million, which will run on through fall 2017.

SNC-Lavalin Group Inc. (TSX:SNC) is another large construction company with operations spanning 50 countries around the globe, employing 12,000 people in Canada and 40,000 worldwide.

Montreal-based SNC is also likely to have a flurry of projects to bid on. Its large infrastructure projects include Ottawa's Confederation line rail project, the Calgary West Light Rail project, Vancouver's Evergreen Light Rail line, and Toronto's 407 ETR.

SNC currently has a number of existing contracts in play around the world, including a \$500 million contract in Saudi Arabia and another signed late last year in Ethiopia.

While the myriad of new projects will no doubt result in more business for both Aecon and SNC, the revenue that those new projects will garner will represent only small share of the total revenue for both companies; therefore, don't expect a spike in stock price for these two stocks anytime soon.

That being said, both Aecon and SNC have a significant number of other projects that are ongoing and planned, making both companies good investment options for investors looking to diversify their portfolios.

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:ARE (Aecon Group Inc.)
2. TSX:ATRL (SNC-Lavalin Group)

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Author
dafxentiou

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