



Snc-Lavalin Group Inc. to Stay Strong in 2017

Description

Snc-Lavalin Group Inc. (TSX:SNC) has made plenty of moves over the last month to bolster its brand as we enter the new year.

I think 2017 could be quite profitable for the engineering and construction company as the end of 2016 included multiple decisions to streamline operations. One such move involved the sale of its activities in Monaco and France, which include maintenance and other business in 19 international airports. The operations in this part of Europe for Snc-Lavalin have 1,100 workers.

This region is not profitable enough for the company, despite its attempt to restructure these assets in recent years. A week prior, Snc-Lavalin reached an agreement with **Bagfas Bandirma Gubre Fabrikalari A.S.** that would give the company an opportunity to revamp a calcium ammonium nitrate plant in Turkey. The move would include engineering work as well as procurement and supervision.

The deal will help reach the plant's performance goal of 2,000 metric tonnes per day (MTPD) for calcium ammonium nitrate as well as 1,550 MTPD for stabilized ammonium nitrate. The eight-and-a-half-month contract will net an estimated 660,000 tonnes of granular calcium ammonium nitrate per year. Snc-Lavalin will perform these duties from its Brussels, Belgium office.

The company also reached a deal to work through subsidiary **Kentz Canada Ltd.** with **ClearStream Energy Services Inc.** to do engineering and procurement services in the Athabasca oil sands region in Alberta over five years. The move will help expand Snc-Lavalin's presence in the Fort McMurray region, helping to increase efficiency in these areas.

In a bid to streamline operations, Snc-Lavalin is shedding 405 jobs across Canada as a reaction to the slumping mining industry in the country. Jobs will be slashed: 186 jobs will be cut in Montreal as well as 195 in Ontario and 24 in Saskatoon. Approximately 70% of jobs will be cut in Snc-Lavalin's mining and metallurgy department.

The move is expected to boost profits as the company has the goal of growing its operating income margin by 7% next year. The company is also planning to add 1,200 jobs if it wins certain major infrastructure projects as well as 300 positions in nuclear energy. The company will have about 39,000

employees after the job cuts are complete.

Another large contract inked by Snc-Lavalin recently is a \$100 million midstream oil and gas project in the U.S. The deal is for the engineering, procurement, construction, and operations of a number of gas compression and dehydration facilities in the Permian Basin of the country. The operations will amount to 100,000 horsepower of compression, inlet separation, and filtration on greenfield sites.

SNC shares grew 40.5% in 2016. The company has a market capitalization of \$8.67 billion. Out of 11 analysts covering the stock, nine have rated Snc-Lavalin a "Buy," giving the company an average rating of a "Buy" along with a price target of \$61.40. The company recently issued a quarterly dividend of 26 cents per share.

A productive and profitable December has Snc-Lavalin set up for a healthy 2017, which could prove to be the company's best year to date. While eliminating certain jobs and assets that were not profitable enough was necessary, the company is bolstering existing operations and adding new ones to its portfolio in a bid to streamline and improve operations.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:ATRL (SNC-Lavalin Group)

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/07/23

Date Created

2017/01/03

Author

karlutmohlen

default watermark