



## SNC-Lavalin Group Inc. Closes Deal, Becomes a Global Player

### Description

After market close on Thursday, **SNC-Lavalin Group Inc.** (TSX:SNC) announced it has officially agreed to acquire British multinational engineering and design consulting firm **WS Atkins PLC** in a \$3.6 billion transaction.

I'll take a look at what this acquisition means for SNC moving forward and discuss why this acquisition has the potential to propel the company forward in the long term.

### Significance of this acquisition

Aside from being the largest acquisition in SNC's history, this acquisition has the potential to move SNC on to the world stage for multinational contracts not currently within the scope of SNC's current business model. Currently operating in the North American market, SNC will now be able to reach a far broader customer base, servicing its current host of global clients outside North America as well as a new pool of WS Atkins's customers in SNC's own backyard.

SNC CEO Neil Bruce said of the transaction, "It positions SNC-Lavalin well for our long-term growth strategy to making a global, fully-integrated professional services and project management company."

Taking a long-term perspective of this deal, a number of synergies highlighted by SNC seem to make a lot of sense for the company, in addition to the obvious cross-selling opportunities provided by each company's unique niches:

- Over \$120 million of synergies are expected to be unlocked within a year of the transaction closing;
- The acquisition is expected to be immediately accretive to earnings, before savings;
- The deal lowers the business's overall risk profile due to the nature of WS Atkins's existing contracts; and
- There's potential for SNC to enter nuclear design and construction work, a significant part of WS Atkins' portfolio.

## Deal financing

Caisse de dépôt et placement du Québec is providing the bulk of the financing for this acquisition, agreeing to put up \$1.5 billion in a secured loan with SNC's cash flows generated from its ownership position in Toronto's 405 highway being put up as collateral for the loan. This form of creative financing allows SNC to hold on to its working capital while providing Caisse with cash flows generated from a strong, less-encumbered business.

The remainder of the cash is slated to come from a public bought-deal offering (\$800 million), a private placement with Caisse (\$400 million), a €300 million term loan, and an additional €350 million draw on SNC's existing credit facility.

## Bottom line

I believe that SNC has done a relatively good job of positioning itself as one of the premier global companies in the engineering and construction space, and this acquisition is an example of how the company has committed to a long-term strategy of consolidation and global growth. The synergies this deal should provide SNC, along with the scope of contracts and global exposure should provide a nice long-term boost for existing shareholders.

Stay Foolish, my friends.

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