



Income Investors: Is it Time to Buy This Unloved Dividend-Growth Stock?

Description

Investors often restrict their search to high-yield plays, but dividend-growth is believed to be more important than yield over the long term.

Let's take a look at **SNC-Lavalin Group Inc.** (TSX:SNC) to see if it deserves to be on your "Buy" list.

Troubled times

SNC's stock took a hit in recent years as scandals involving the contract procurement practices of some former employees hurt the company's reputation.

RCMP investigations followed, and there was a concern at one point that the company could be banned from bidding on Canadian contracts due to corruption charges being laid against SNC.

A preliminary hearing on the fraud and corruption charges is scheduled to begin in September 2018. For the moment, the market appears to have forgotten about the case.

In fact, contrarian investors who took advantage of the dip and bought the stock below \$40 are now sitting on some sweet gains.

How sweet?

SNC currently trades for \$54 per share.

Growth through acquisitions

SNC bought oil-focused engineering and construction player Kentz Corporation back in August 2014 for \$2.1 billion.

The timing of the deal was unfortunate, as the fallout in the oil sector soon followed, but adding Kentz gave SNC a strong business group capable of winning world class contracts in upstream, liquefied natural gas (LNG), and unconventional oil and gas segments.

Last week, SNC announced the closing of its \$3.6 billion acquisition of UK-based WS Atkins PLC, which is a multinational engineering and design consultancy with expertise in transportation, infrastructure, aerospace, and defense.

The deal truly turns SNC into a global engineering giant, with \$12 billion in annual revenue and more than 50,000 employees.

407 speculation

Contrarian types have often said SNC is a cheap stock, and many expected the company to unlock some value through the sale of its 16.7% ownership in the 407 toll road.

The disposition of the 407 stake is now unlikely, as SNC used the cash flow from the 407 to secure funding for the Atkins deal.

Dividend growth

SNC is rarely touted as a dividend-growth play, but the company has raised its payout for more than 15 straight years, and the distribution has tripled in the past decade.

The current quarterly dividend of \$0.273 per share provides a yield of 2%.

Should you buy?

The large acquisitions in recent years have made SNC a formidable player in the global engineering space. The company now has significant capabilities in a wide range of growth areas, and its immense size should be an asset when bidding on future projects.

SNC isn't as cheap as it was at the peak of the scandal crisis, and the RCMP case could cause more volatility in the next year, but investors with a buy-and-hold strategy should do well with this stock over time.

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Date

2025/07/23

Date Created

2017/04/25

Author

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