Is Bird Construction Inc. Saying Something About the Economy?

Description

Over the past five years, shares of **Bird Construction Inc.** (TSX:BDT) have declined by close to 35% with the one-year price change being no better. Over the past year, shares have lost almost 40%.

For investors who carefully consider leading, co-incidental, and lagging economic indicators, the more challenging environment experienced by Bird Construction may be telling investors a lot about the Canadian economy. Economic indicators are important because they provide a glimpse into where things are headed (leading), a ride along (co-incidental), or confirmation of what has already happened (lagging).

The issuance of new construction permits is one of the best leading economic indicators to signal that an economy is either heading into a recession or things will continue to be prosperous. In the case of an individual construction company, the number of projects in progress in addition to the total number of employees will say a lot about the state of the economy.

Bird Construction is one of Canada's biggest construction companies. Shares have fallen considerably over the past year, and the dividend was cut along with expectations from investors. What was a dividend of $0.0633 per share every month has become a dividend of $0.0325 per share, which still equates to a yield of almost 5%. Currently trading slightly above $8 per share, the decline from the 52-week high of $13.79 has been significant.

While revenues have declined quarter over quarter for the period ended March 31, the bigger challenge remains the bottom line. Earnings per share of $0.22 became a loss of $0.03 per share during Q1 of 2017. Shareholders are receiving a dividend that is clearly much more than the company is earning. This can only go on for so long.

While dividends depend largely on earnings and cash flow from operations (CFO), it is important to look at CFO even more closely than earnings. Over the past three full fiscal years, the CFO of Bird Construction has declined every year. While this can be a good thing for a construction company (assuming more money is being put into working capital), this is not what has happened here.

Although an additional $22 million was taken from working capital in 2014, the changes were negligible in the years following. Instead, the CFO declined from $87 million in fiscal 2014 to $74 million in 2015 and then $43 million in fiscal 2016. For the first quarter of fiscal 2017, CFO was negative $99 million due to the changes in working capital. Without this change, the number would be closer to positive $2 million. Although this is better, investor need to remember that the dividends paid for the quarter amounted to almost $5.5 million. Trouble could be brewing.

While investors need to look at all areas of the market to find the most suitable investment, this company may in fact be a much better gauge of the economy as a whole. If so, things aren’t looking good.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:BDT (Bird Construction Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/07/22
Date Created
2017/06/23
Author
ryangoldsman