



## SNC-Lavalin Group Inc. Continues to Innovate: Time to Buy?

### Description

One of the most prominent construction and engineering companies traded on the TSX, **SNC-Lavalin Group Inc.** (TSX:SNC), has long been looked to as one of the “old dogs” on the TSX, operating in a boring industry with somewhat stable cash flow generation, generally insulated by the company’s size compared to many of its peers.

Looking perhaps to change this image, SNC has recently indicated the firm is looking to modernize its investment mix — to the cheer of investors.

At the end of June, SNC announced that it would be creating a new infrastructure investment vehicle, “SNC-Lavalin Infrastructure Partners LP,” which would allow the company to securitize and sell off an equity stake of up to 80% of its portfolio of infrastructure assets while retaining a 20% equity stake as well as the ability to manage these assets long term.

SNC also announced that a Canadian subsidiary of Luxembourg-based BBGI SICAV SA would purchase an 80% equity stake in the partnership, allowing SNC to free up capital which has been tied up in public-private Canadian infrastructure assets for use in other growth-focused initiatives.

This capital is expected to be used to fund projects that the company may not have otherwise been able to go after because of the changing fundamentals of the construction business in which institutional money has continued to pour into infrastructure assets due to the diversification effect these assets provide as well as the long-term income component accompanying an infrastructure portfolio.

This influx of capital into infrastructure assets has driven up the price of underlying assets, resulting in a situation where SNC management believes that selling equity stakes in the company’s long-term asset portfolio will allow the company to maximize value for shareholders today by providing capital that can broaden SNC’s ability to bid on new projects and thereby create greater long-term value for shareholders in the long run.

### Bottom line

This most recent strategic move by SNC indicates to investors that the company is serious about creating long-term value for shareholders by trying to take advantage of what appears to be a gold rush of sorts for infrastructure asset holders at the moment.

Many investors live by the phrase “bet the jockey and not the horse,” and while I believe the underlying fundamentals of a business (the horse) are the most important things to assess, I also agree that assessing a company’s management team (the jockey) is extremely important for investors looking at a company as a long-term hold.

In the case of SNC, the jockey appears to be doing everything it can to make the horse run faster, something which investors should applaud.

Stay Foolish, my friends.

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