The Chickens Have Flown the Coop at Bird Construction Inc.

Description

Before considering shares of **Bird Construction Inc.** (TSX:BDT) investors may want to be very careful. The company, which is in the construction business, has declined by almost 10% on a year-to-date basis. For the past year, shares have lost almost 30% of their total market capitalization.

The good news is not for long-term holders, who have lost a significant part of their investments, but instead for those waiting on the sidelines for an opportunity. Over the past year, the monthly dividend was cut from $0.0633 to $0.0325 per month. Currently trading at slightly more than $8 per share, the company offers investors a dividend yield of 4.75%. The question is if the dividend yield is sustainable given the cut which has already happened.

Although the company paid out close to 123% of earnings for the past fiscal year, the reality is that things have not improved in the current fiscal year. After the first quarter of 2017, which saw the company swing to a loss, investors continue to show the company no love. Although home prices have continued a long-term trend upwards until recently, shares of the coast-to-coast construction company have not followed.

As investors are aware, the stock market is forward looking and very good at discounting the future projected cash flows or profits of a company. The result of a stock price which is near the 52-week low of $7.26 is the chance that the country is heading into a recession. Should this major macroeconomic event transpire, there is no doubt that shares of the construction company will decline alongside the general market.

The reason to look at shares of Bird Construction is for the current tangible book value per share in addition to the company's cash flow from operations. When considering the company's tangible book value, the assets minus the liabilities and the goodwill, which is the total amount of tangible book value per share, is no less than $3.33, which makes up a good portion of the company's share price.

Although the cash from operations are clearly enough to at least sustain the current dividend, the amount of cash being distributed to shareholders is acting as a headwind to the share price. As a reminder, the returns offered to shareholders are offered through two ways: capital appreciation and dividends.

For investors who do more digging, the statement of cash flows may show something very telling. Over the past two fiscal years, the capital expenditures have fallen far short of the amount of depreciation reported by the company. It would seem that given the projects underway, there has been less of a reason to make long-term investments. Investors may have to patiently sit on pins and needles to see how this one turns out.

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