

Why Aecon Group Inc. Is Soaring Over 16%

Description

What happened?

Aecon Group Inc. ([TSX:ARE](#)), one of Canada's leading providers of construction and infrastructure development, is up over 16% in early trading to about \$19.20 per share after announcing that it has entered a definitive agreement to be acquired by CCCC International Holding Limited ("CCCC") for \$20.37 per share in cash.

So what?

The deal values Aecon Group at \$1.51 billion, and represents a 42% premium to the company's unaffected share price on August 24, which was the trading session prior to [its announcement](#) that it had engaged financial advisors to explore a potential sale of the company. The large premium offered by CCCI led to Aecon's board of directors unanimously recommending the transaction, and it has recommended that shareholders vote their shares in favour of the deal at a special meeting that will be held on or before December 21.

Now what?

CCCC is a wholly owned subsidiary of China Communications Construction Company Limited (CCCC), which is one of the world's largest engineering and construction groups, so the deal to acquire Aecon makes perfect sense. CCCI has stated that this deal is "an excellent fit for both of our companies," because it allows Aecon to "gain access to new platforms and partnerships for continued growth in Canada and abroad," and because it allows CCCI to "advance its global growth strategy."

The deal is expected to close in the first quarter of 2018, and I do not foresee a bidding war for Aecon, so I fully expect shareholders to vote in favour of the deal at the shareholder meeting in December to make it happen. Also, even though Aecon's stock is trading about 6% below the acquisition price of \$20.37, I think there are much better long-term investment opportunities in the market today, so Foolish investors should simply forget about Aecon at this point.

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