



Aecon Group Inc. Acquisition: Foreign Investment or National Security Concern?

Description

After [jumping](#) nearly 40% since late August 2017, shares of Canadian construction firm **Aecon Group Inc.** ([TSX:ARE](#)) have continued to hover around the \$20 level, with investors pricing in a near certainty that the previously announced acquisition of Aecon by Chinese construction firm CCCC International Holdings will go through. With the federal government maintaining support for foreign investment in Canada, the market appears to be logical in its assessment of the probability of this acquisition completing.

That said, any successful acquisition will require the previously affirmed liberal support to be further substantiated not only in the face of opposition from the construction sector in Canada, but also in the face of a public concerned with the potential impact of this acquisition on the Canadian political landscape.

This past week, a delegation of private Canadian construction companies Ledcor Group, PCL Constructors Inc., and P.W. Graham & Sons Construction to Ottawa made headlines as private Canadian construction firms voiced their concerns about the potential impact of this acquisition on the Canadian construction industry. While neither of the aforementioned firms were successful in acquiring Aecon after the company announced that it was seeking a suitor, it appears that the introduction of a foreign player has prompted the firms to join forces in a bid to lobby the government to disallow this deal.

Other recent news that's added to the concerns are reports that the Chinese company intends to insert a Communist Party of China business unit within its corporate structure — a move that indicates to many the lack of separation between state and private industry for companies operating within the purview of the Chinese government. The acquisition of Aecon is likely to be viewed as a global play for CCCC, thereby strengthening the company's ability to gain contracts globally that may have otherwise have been out of reach.

Bottom line

Given its fundamentals and the relatively rich valuation ascribed to Aecon by CCCC, Aecon has little

upside at this point. I believe there's little to be gained from purchasing shares in Aecon currently, as investors have priced this stock to perfection in anticipation of the acquisition [going through](#). While the federal government is unlikely to change its views on foreign investment, the reality is that even a tiny probability of a change of heart is enough for me to suggest caution for investors considering Aecon at its current levels.

Stay Foolish, my friends.

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Date

2025/07/04

Date Created

2018/01/28

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