



## Why Snc-Lavalin Group Inc. Jumped 3.96% on Thursday

### Description

**Snc-Lavalin Group Inc.** (TSX:SNC), a leading global provider of professional services and project-management solutions, jumped 3.96% on Thursday following the release of its fiscal 2017 fourth-quarter and full-year earnings results. Let's break down the report and the fundamentals of its stock to determine if we should be long-term buyers today.

### The results that ignited the rally

Here's a quick breakdown of five of the most notable financial statistics from Snc's three-month period ended December 31, 2017, compared with the same period in 2016:

| Metric   | Q4 2017            | Q4 2016            | Change |
|--|--------------------|--------------------|--------|
| Total revenues   | \$2,917.84 million | \$2,211.14 million | 32.0%  |
| Gross profit   | \$675.90 million   | \$360.66 million   | 87.4%  |
| Adjusted net income attributable to Snc-Lavalin's shareholders | \$172.72 million   | \$116.07 million   | 48.8%  |
| Adjusted diluted earnings per share (EPS)                      | \$0.98             | \$0.77             | 27.3%  |
| Net cash generated from operating activities                   | \$376.20 million   | \$239.87 million   | 56.8%  |

And here's a quick breakdown of six of the most notable financial statistics from Snc's 12-month period ended December 31, 2017, compared with the same period in 2016:

| Metric         | Fiscal 2017        | Fiscal 2016        | Change |
|----------------|--------------------|--------------------|--------|
| Total revenues | \$9,334.72 million | \$8,470.83 million | 10.2%  |
| Gross margin   | \$1,893.43 million | \$1,206.10 million | 57.0%  |

|  |                     |                     |         |
|--|---------------------|---------------------|---------|
| Adjusted net income attributable to Snc-Lavalin's shareholders | \$522.32 million    | \$387.15 million    | 34.9%   |
| Adjusted diluted EPS   | \$3.20              | \$2.58              | 24.0%   |
| Net cash generated from (used for) operating activities        | (\$235.86 million)  | \$105.62 million    | (>100%) |
| Revenue backlog  | \$10,406.40 million | \$10,677.40 million | (2.5%)  |

## A gift for shareholders

In the press release, Snc announced a 5.1% increase to its quarterly dividend to \$0.287 per share, and the first payment at the increased rate is payable on March 22 to shareholders of record on March 8.

## A bright outlook on 2018

In the press release, Snc also provided its outlook on fiscal 2018, calling for adjusted diluted EPS in the range of \$3.60-3.85, which would result in growth of 12-21% from the \$3.20 it reported in fiscal 2017.

## Is now the time to buy?

Snc's very strong fourth-quarter performance capped off a fantastic year for the company, and the dividend hike was icing on the cake, so I think the 3.96% pop in its stock was warranted; furthermore, I think the stock still represents an attractive opportunity for the long term for two fundamental reasons.

First, it's still undervalued. Even after the nearly 4% pop, Snc's stock trades at just 17.4 times fiscal 2017's adjusted EPS of \$3.20 and a mere 14.9 times the median of its EPS outlook of \$3.60-3.85 for fiscal 2018, both of which are very inexpensive given its current earnings-growth rate and its explosive growth potential given the infrastructure spending [plans in Canada](#) and [the United States](#).

Second, it's a dividend-growth superstar. Snc now pays an annual dividend of \$1.148 per share, which brings its yield up to a respectable 2.1%. It's very important to note that the dividend hike the company just announced puts it on track for 2018 to mark the 17th straight year in which it has raised its annual dividend payment, giving it one of the longest active streaks in the market today.

With all of the information provided above in mind, I think Foolish investors should strongly consider beginning to scale in to long-term positions in Snc-Lavalin Group over the next couple of trading sessions.

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