



What Now for Aecon Group Inc.? How About 30% Upside!

Description

Well, that was disappointing.

In a move that was [largely debated](#), the Government of Canada blocked the \$1.5-billion takeover of **Aecon Group Inc. (TSX:ARE)** by **China Communications Construction Co. Ltd. (CCCC)**.

On Thursday, Aecon's stock price cratered, losing 15.40% of its value. It is now trading near 52-week lows, which is below where it was before the takeover announcement.

It is typical for stocks to trade in-line with pre-announcement prices if the transaction falls through. However, smart investors will know that this sell-off was overdone.

Decision has broader impacts

In recent years, the Government of Canada has welcomed the buying of oil-patch companies by Chinese firms. Yet this decision indicates a shifting sentiment toward Chinese investment.

The move has the potential to impact trade between the two nations. Indeed, China was quick to issue a warning to Canada to "Abandon prejudices and create a level playing field for Chinese enterprises."

Further, the Chinese embassy in Ottawa stated, "The decision made by the Canadian government is by no means good news for the investment co-operation between China and Canada."

Did you know that the deal was the largest purchase by a Chinese firm in Canada outside the oil-patch industry?

Will Canada-China trade rhetoric ramp up? Only time will tell.

What now for Aecon?

Aecon has been thrown into a sea of uncertainty. It is currently without a permanent chief executive officer, which will be its first order of business.

Following the news, Aecon also indicated that it intends to remain an independent company and is not actively looking for buyers. This should provide investors with a level of stability after months of uncertainty.

Positive outlook

Aecon's outlook is actually very positive. In fact, it is in better shape than it was before the takeover attempt. It has since signed very lucrative contracts and has a record \$4.6 billion backlog.

Analysts came out overwhelming positive on the company despite the failed takeover attempt. They lauded company's impressive project pipeline, strong fundamentals, and clean balance sheet.

Long-term opportunity

The time for an investment in Aecon is now. The recent selling pressure has caused a great buying opportunity for long-term investors.

Need proof? Based on 2018 earnings before interest, taxes, depreciation and amortization (EBITDA), Aecon is trading in-line with the cheapest construction stock in North America, according to **Canaccord Genuity Group Inc.** analyst Yuri Lynk.

Analysts remain bullish on the company and many maintained their price targets. They have an average price target of \$19.06 on the stock.

This implies 30% upside from Thursday's close!

The company is on solid footing and the market has over-compensated for the failed takeover attempt. [The future is bright](#) for Aecon.

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