Should You Build Your Dividend Portfolio With WSP Global Inc. (TSX:WSP)?

Description

Trade talk is causing uncertainty in the markets, and people are losing faith in the global economy. Even with all these unsettling events taking place on the global stage, the world keeps on turning. While it can still be nerve-wracking to invest in companies with an international focus, the long-term investor will still be able to capitalize on the current uncertainty.

Infrastructure spending is one theme that seems to have been forgotten to a degree. But governments are still planning on spending. And a lot of work remains needed to fix crumbling infrastructure around the world. Companies such as **WSP Global Inc.** (TSX:WSP) may be well suited to meet these spending needs, as projects begin to come online. The company has a respectable backlog of projects to complete in the coming years.

The company is involved in the development, design, and engineering of infrastructure. It operates in many different sectors, building everything from airports to hospitals and high rises. WSP also conducts business in countries worldwide, including the United States, Finland, France, and many more. Besides providing geographic diversification, WSP also benefits from a lower Canadian dollar when revenues are received from these regions.

The last quarter was a decent one for the company, and its financial position continued to improve. As of the first quarter of 2018, revenues were up almost 17%. Adjusted net earnings were up over 10% year over year. Free cash flow also increased significantly from $0.05 a share to $0.35 a share. WSP's increasing profitability gives the company room to continue paying its dividend.

WSP pays a dividend of just over 2% at the current share price. While the dividend is not large, WSP has kept the dividend steady for several years and will likely continue to do so in the future. It has not raised its dividend in some time, which is a bit of a disappointment, but keeping the dividend steady allows the company to retain cash for other purposes, such as organic growth initiatives and acquisitions.

There are a couple of negatives investors should consider before purchasing an interest in the company. Probably one of the least-attractive attributes of WSP is the continued increase in its share count. WSP's share count has grown over the past decade, diluting the company's returns to shareholders. Much of this share issuance comes in the form of stock options and from the company's DRIP program.

Another negative to consider is the debt the company has on its books. While much of the debt is long term, and the company's cash flows are strong, it is still a factor to consider before investing. Also, at a P/E of over 20 and a P/B of over two, this stock is not incredibly cheap.

WSP could be a decent investment if you are interested in long-term trends in infrastructure. Its balance sheet is in decent shape, and the dividend is fine and well supported. It also has a good geographic footprint with a fair amount of sector diversity. Were this stock to become cheaper in the event of a general market pullback, it may be worth considering adding to your portfolio.

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