



## Why Aecon (TSX:ARE) Stock Is up 11.7% Over the Past Month

### Description

Earlier this spring, **Aecon Group** ([TSX:ARE](#)) lost more than 15% of its value in a single day after the Government of Canada announced that it would be blocking the company's planned takeover by Chinese construction firm CCCC International Holding Limited (CCCC).

While that news obviously came as a disappointment to investors who were looking forward to owning a larger, more powerful entity that would be able to more effectively compete on a global scale, did the ensuing sell-off end up creating an attractive entry point for patient investors looking to buy on the dip?

Aecon is one of Canada's leaders in construction and infrastructure development and a leader in some of Canada's key growth sectors, including energy infrastructure.

That includes the company's recent winning bid to complete \$282 million worth of work as part of **Enbridge's** largest ever infrastructure project, the Line 3 Replacement.

It also includes construction of some of the country's most iconic landmarks, including the CN Tower, Vancouver's SkyTrain, and the Halifax Shipyard.

The firm's shareholders had hoped that by merging with the larger CCCI, the combined firm would be better positioned to compete and match the scale of the other large global construction companies operating in Canada.

But while the Canadian government chose to block the proposed merger, citing concerns about national security, Aecon's president and CEO John Beck says the company is moving ahead from a position of strength.

In the first quarter, Aecon reported a backlog of \$4.6 billion, including \$910 million of newly awarded contracts, including a 24% interest in a contract to construct the Montreal Light Rail Transit project and an equity interest in the construction and ongoing maintenance of Toronto's Finch West Light Rail Transit project.

In addition to the \$910 million worth of new projects added in the first quarter, the Montreal and

Toronto light rail projects will add another \$1.2 billion and \$400 million to the company's backlog, respectively, in the second quarter.

As a result, the company continues to expect positive revenue and earnings before interest, taxes, depreciation, and amortization, and margin improvement in 2018.

Along with a positive overall outlook, Aecon sees opportunities in its infrastructure, nuclear, telecom, and gas and power businesses, which it expects should more than offset slowdowns in the market for projects tied to crude oil.

That strength in the company's backlog should help to support additional dividend increases going forward as well.

Right now, Aecon shares are paying an annual dividend yield of 2.94% following a 9% hike last year.

While Aecon's payout ratio currently sits above 100%, and that fact may cause some degree of concern for [certain investors](#), the company's current backlog, which represents several years' worth of revenues, should go a long way in helping to address any issues around the safety of its dividend.

### Bottom line

The unfortunate part for Aecon shareholders is that the decision to block the proposed takeover by CCCI appears to be more grounded on managing [sensitive trade negotiations with the U.S.](#) than it does any underlying national security threats. Yet, as the saying goes, "one man's junk is another man's treasure."

Aecon stock is up 11.7% off its 52-week lows going back to the beginning of the month.

It seems that investors have decided to take note of the present opportunity, meaning that now might be a good time to pick up this leading industrial name.

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