



## SNC-Lavalin Group Inc (TSX:SNC) Falls Sharply on Monday: Why I Decided to Buy

### Description

**SNC-Lavalin Group Inc** (TSX:SNC) had a dreadful day on Monday when its share price crashed and finished the day down by more than 27%. It was the worst day that the stock had in decades as many investors rushed to push the sell button. However, a look at the stock made me realize what an incredible buying opportunity was created out of all that negativity. And so I decided take a chance on the stock and add it to my portfolio.

There's a few key reasons why I decided to do so.

The company unleashed a lot of bad news this week. It was much more than just that the company would be missing its forecast. It also had a big write-down and talked about potentially getting out of Saudi Arabia and a "serious problem" at a mine. To top it off, the company appointed a new chief operating officer. It was a busy day to say the least.

### Markets aren't always efficient

When there's that amount of news, I don't trust the markets to get it right. Instead, it's likely that investors overreacted significantly, which is what happened on Monday. While there was definitely a lot of negativity on the day, the immediate motivation was to sell, which is exactly what happened. What sometimes happens after a big sell-off is that after a bit of second thought, we see the stock make a bit of a recovery, which is one of the reasons I saw it as a good time to buy.

### Expectations are at a low

Another reason I see SNC as a good option for investors today is that there is so much negativity priced into the stock it might actually make it easier for the company to do better than expected in future quarters. Stock prices make moves as a result of new information, and with this much bad news out there, it's probably as bad as it's going to get for SNC's stock for a while.

The company has generally been pretty stable, and big moves like this have been uncommon for it, suggesting that this is well out of the norm. And perhaps if not for Canada's commentary on Saudi

Arabia's government, the diplomatic [problems](#) could have been avoided, which are certainly weighing on the stock.

### **The company is still solid**

Despite all the bad news, SNC isn't a company that's suddenly in any danger or facing a big risk. Ultimately, it's going to report a lower-than-expected profit. Many companies on the TSX would love to just post any kind of [profit](#), big or small. And that's what it really comes down to: SNC is still a good long-term buy. It's run into some hurdles and has some big challenges that it needs to address, but its business model isn't broken.

It may take some time, but SNC's stock could recover back to where it was before this sell off started.

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1. Investing

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