4 Hefty Portfolio Builders for Construction Bulls

Description

For investors bullish on the Canadian economy, construction-linked stocks make a good investment in the infrastructure space. The following four TSX index construction stocks display a good mix of stats, with some attractive value, a bit of growth, and some dividends on the table. Let's see which might be the strongest buy based on the data.

WSP Global (TSX:WSP)

Looking for a low-exposure infrastructure stock, such as a human resource-weighted management and consultancy specializing in the built and natural environment? WSP Global is a professional services firm consulting clients across North America, Oceania, the U.K., and beyond. As with the next ticker on this list, WSP Global's stock would bring geographical diversification to a portfolio, while adding lower-risk exposure to the construction industry; it also has a good balance sheet, pays dividends, and has a positive outlook.

SNC-Lavalin Group (TSX:SNC)

From consulting and design to engineering and construction, this currently much-discussed company also operates and maintains sites across the world. Selling at less than a third of its future cash flow value, SNC-Lavalin Group is fairly good value at the moment, with a P/B ratio of 1.7 times book that's just below the Canadian construction industry's ratio of 1.8. Significant future performance is indicated by a 113.8% projected growth in earnings.

SNC-Lavalin Group's dividend yield of 1.15% and high growth is tempting. However, a decent track record, dividend yield of 2.07%, and 18.9% expected annual growth in earnings make WSP Global look like a winner in this space for the strictly risk averse, excusing WSP Group's high P/E of 30.4 times earnings and slightly bloated P/B of 2.3 times book.

Badger Daylighting (TSX:BAD)

In the business of low-impact excavating and connected services across North America, Badger Daylighting has returned 69.4% in the past year. Its balance sheet is acceptable, with a below-threshold level of debt, which has been brought down over the last few years and is well covered by operating cash flow, while its past-year ROE of 19% is fairly good.

Although more shares have been sold in volume by insiders, a greater number of insiders have bought share over the last few months. While its market ratios are a little high (see a P/E of 22.7 times earnings and P/B of 4.1 times book), its dividend yield of 1.37%, paired with a 16.1% expected annual growth in earnings make this a decent choice for construction bulls.

Aecon Group (TSX:ARE)

With a North American and international focus on construction and the development of infrastructure, Aecon Group had a good year with earnings growth of 109.4%. A healthy stock with attractive valuation (see a P/E of 17.6 times earnings and P/B of 1.3 times book), Aecon Group pays a dividend yield of 3.33% and has a 12% projected annual growth in earnings.

The bottom line

With some pundits pointing to the so-called crane index as a way of measuring global growth by construction projects, it would seem that builders are an accurate bellwether for the worldwide economy. While the stocks listed above are likely to be vulnerable to a widespread economic downturn by this same logic, they nevertheless represent some the best investments for investors who remain bullish on international and domestic growth.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ARE (Aecon Group Inc.)
2. TSX:ATRL (SNC-Lavalin Group)
3. TSX:BDGI (Badger Infrastructure Solutions Ltd.)
4. TSX:WSP (WSP Global)

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vhetherington