



## Is SNC-Lavalin (TSX:SNC) Stock Worth the Risk?

### Description

**SNC-Lavalin Group** (TSX:SNC) has been mired in controversy this year, and things just keep getting worse.

Not only is the company facing charges of bribery and rumours that it might move its operations to the U.S., but its earnings are taking a beating as well. The company released its quarterly results last week, and SNC reported a net loss for the second straight quarter.

Sales were down from the prior year, but direct costs weren't, resulting in a much softer gross margin for the company. However, the company is taking on initiatives to reduce costs, including winding down operations in 15 countries where SNC isn't profitable.

Since the start of the year, the company's stock price has fallen by more than 35%, and it has reached not just a new 52-week low, but last week it also hit a new 10-year low. Things have not been this bad for SNC for some time, and it might have some investors wondering:

### Is now the time to buy SNC?

There's buying on the dip, and then there's buying on what's an all-out collapse, which is what this is. We can pull out all the ratios to try and show that the stock is a good value buy, but the big question is whether investors can trust the company.

I'm generally in favour of buying a stock that has dipped in price, but only if there isn't a justifiable reason for the decline. In SNC's case, there are some very good reasons for investors to be bearish on the stock. Ethics-related issues are always a big concern for investors, and it's also frustrating when a company issues a profit warning multiple times.

Ultimately, if investors can't trust what a company is doing or saying, then it becomes hard to have any confidence in the numbers. Companies can recover from [scandals](#), and we can look no further than what happened with **Home Capital** and the stock's [turnaround](#). However, in Home Capital's case, the company was far removed from its scandal and was well on its way to recovery.

For SNC, it still has a long road ahead of itself, with many question marks surrounding where it'll go from here. And until that uncertainty is behind it, some big risks for investors remain. Although we can say today that the stock is at a low, weeks or months from now it could still sink even lower.

## Bottom line

Once a company has lost the trust of investors, it's hard to win it back. My concern with SNC is that the worst may not yet be over and the company may still be in for a rough road ahead. The stock wasn't that great an investment even before the scandal, with minimal growth and small margins. With the added uncertainty, SNC is an even worse buy that I would stay away from, regardless of how cheap it might appear to bargain hunters today.

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