Now Is the Time to Buy These 2 Stocks

Description

Once one of Canada's most respected companies, **SNC-Lavalin** (TSX:SNC), is quickly turning into one of the country's most infamous. The company's legal struggles have been well documented. It is also having an impact on the company's ability to win contracts. Management has admitted that they have lost out on billions in contracts due to its failure to strike a deal with the Feds on bribery charges.

There are two ways investors can take advantage of the situation. For starters, you can take a flyer on the company. Its stock is at multi-year lows and appears cheap. This, however, is a risky proposition and not one I recommend. The other option for investors is to invest in SNC-Lavalin's competitors — competitors who are well positioned to take advantage of SNC's mishaps.

Two such companies include **WSP Global** (TSX:WSP) and **Aecon Group** (TSX:ARE). Both companies are leading professional service firm with operations worldwide.

Aecon Group's stock

Aecon was at the centre of a highly politicized failed takeover. Almost a year ago to the day, the Federal Government blocked the $1.5 billion sale of the company to a state-backed Chinese buyer. Citing national security concerns, Aecon's share price plunged to a 52-week low of $14.27. Contrarian investors saw this as a great opportunity to load up on this high-quality company.

Fast forward a year later, and Aecon's share price is up 24%, having recouped the majority of its losses. Despite the price run-up, the construction firm's share price is still undervalued. It is trading at a cheap 14 times earnings and at a price-to-earnings (P/E) to growth (PEG) ratio of 0.93. A PEG under one signifies that its share price is not keeping up with expected growth rates. It is thus considered undervalued.

Aecon Group is also a reliable dividend-growth company. Although its dividend-growth streak was halted as it was being acquired, it has since returned to dividend growth. In March, it announced a 14.5% raise to its quarterly dividend. There is also rare consensus among analysts with all 11 rating the company a *buy*. They have a one-year price target of $23.39, which implies 29% upside from today's price of $18.18 per share.

WSP Global's stock

WSP Global has also been a strong performer. Over the past two years, the company's share price has averaged 20% annual growth. In 2019, its stock price is up 21%, and there is plenty of room for growth. Analysts have a one-year price target of $78.13, which implies double-digit upside.

The company is also trading at cheap valuations. WSP Global is expected to grow earnings by 27% on average over the next five years. As such, it is currently trading at a low PEG ratio of 0.70 and at a cheap 17.07 times forward earnings.

WSP has also been engaged in growth through acquisitions. In December, it closed on its $400 million purchase of Louis Berger. Since 2014, it has growth from 17,000 employees to 48,000 following the Louis Berger deal. In total, it has closed on 29 acquisitions over the past three years. It aims to surpass SNC's Lavalin Group in terms of size in the next three years.

Foolish takeaway

As per SNC's own admission, the competition is being more agressive and is using SNC's legal troubles against it. It is proving to be an effective strategy, as SNC Lavalin is losing out on billions in contracts and is closing offices worldwide.

Instead of taking a flyer on a company with significant legal headwinds, the better option is to invest in its competitors. Aecon Group and WSP Global had impressive track records, even before SNC's troubles.

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2. TSX:ATRL (SNC-Lavalin Group)
3. TSX:WSP (WSP Global)

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Author
mlitalien