



Contrarian Investors: Should You Buy SNC-Lavalin Group (TSX:SNC) Stock Today?

Description

Contrarian investors are constantly searching for [beaten-up stocks](#) that might offer a shot at some huge gains once sentiment or market conditions improve.

Let's take a look at **SNC-Lavalin Group** (TSX:SNC) to see if it might be an [interesting pick](#) for your portfolio right now.

Tough times

SNC traded for more than \$60 per share last June. Today, investors can pick up the stock for less than \$24.

The steady decline off the 2018 highs can be attributed to a number of factors, including the downturn in the oil sector, a bad contract in the mining division, and the ongoing saga surrounding the company's history of corruption charges.

At the height of the oil boom in 2014, SNC spent \$2.1 billion to buy U.K.-based oil and gas engineering firm Kentz. The deal was supposed to launch SNC into the big leagues in the energy sector, but turned out to be an expensive and ill-timed purchase. Oil prices tanked shortly after the completion of the purchase, and the industry still hasn't recovered.

Under a new CEO, SNC then spent \$3.6 billion in 2017 to buy U.K. engineering consulting firm WC Atkins for \$3.6 billion in a bid to boost its presence in the global nuclear, rail, and transportation infrastructure segments. The move was viewed as an attempt to reduce overall exposure to the oil and gas sector.

In January 2019, SNC shocked the market with an announcement that it would miss the full-year 2019 profit target due to a major problem at a mining contract in Chile. The company said full-year adjusted profits would likely be \$2.15-\$2.30 per share compared to previous guidance of \$3.60-\$3.85. SNC also wrote down the value of its energy unit by \$1.24 billion, citing challenges connected to the diplomatic

row between Canada and Saudi Arabia.

The stock tanked on the news, falling from \$48 per share to \$35. Bargain hunters moved in and the share price initially moved back to \$37, but the rally soon faded and the stock continued to trend lower.

On May 29, news came out that SNC will have to go to trial to face corruption charges. A conviction could result in the company being barred from bidding on federal contracts in Canada for 10 years.

Should you buy?

The second drop from \$35 to the current price of \$24 shows the risks contrarian investors face when trying to catch a falling knife.

On the upside, the value of the parts appears much greater than the value the market is giving the stock. SNC recently had to cancel a deal to sell its stake in the 401 toll road for \$3 billion. The holding is still considered worth that amount, and at the time of writing, SNC has a market capitalization of just \$4.2 billion.

The scandals, oil sector woes, and bad deal in the mining sector are all negative, but SNC is still a world-class engineering company with specialization and expertise that is unmatched in a number of industries. I wouldn't back up the truck, as things could get worse before they get better, but a small contrarian position might be worth considering on additional weakness.

A takeover offer wouldn't be a surprise at the current price level, and any bidding war could push the shares up significantly.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:ATRL (SNC-Lavalin Group)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Stocks for Beginners

Date

2025/07/21

Date Created

2019/05/30

Author
aswalker

default watermark

default watermark