



The Most-Hated Stock in Canada? Why Investors Are Steering Clear

Description

Investors seldom express dismay over a particular stock. The usual action is to simply sell and cut losses when the stock is falling. When it recovers and regains strength, buyers return to gain from the potential upside. But when the company has, time and again, been suspected of anomalous dealings, hate sets in.

SNC-Lavalin Group (TSX:SNC) is perhaps the most-hated stock on the TSX today. In my mind, the company caused its own tailspin. The once popular and admired engineering and construction firm is desperately attempting to repair its [fractured image](#). However, the chances are slim if you're looking in the near future.

The nightmare of 2011

The stock had a respectable run in 2018, hitting as high as \$60 before the overall market volatility brought stock prices down. SNC-Lavalin started 2019 at \$46.20 and has plunged by 48.35% to \$23.86 as of this writing. The company might soon face trial on fraud and corruption charges.

Former company executives are alleged to have paid bribes in 2011 to secure and obtain contracts in Libya during Muammar Gaddafi's administration. Last week, the judge hearing the case found sufficient evidence to proceed with a trial. SNC-Lavalin tried but failed to reach a settlement. That 2011 event is a nightmare that won't go away.

SNC-Lavalin chief executive Neil Bruce expected the outcome of the preliminary inquiry. He pointed out that the company is completely transformed. The event happened 20 years ago and the employees involved have long been gone from the company. Still, it's a nightmare that won't go away.

Even Prime Minister Justin Trudeau, some government officials, and his most trusted aide are being dragged in a political scandal. The Canadian prime minister is denying insinuations of interfering in the case. There are allegations they want to skirt a criminal trial and assist SNC-Lavalin to secure a negotiated settlement.

Previous brush with the law

SNC-Lavalin had numerous brushes with the law before 2011. The company was swamped with bribery and corruption charges. There were convictions while other cases were amicably settled. Aside from suspected under-the-table deals with foreign governments, allegations with the Canadian government were also raised.

If the Quebec judge found the evidence damning to warrant a formal trial, then the worst is just beginning for SNC-Lavalin. In so far as the company performance is concerned, net income has significantly dropped in 2018. The company is at risk of being banned from securing federal contracts.

Invest at your own risk

SNC-Lavalin's integrity is at stake because of corporate misconduct. A conviction could lead to disqualification from federal business for 10 years. The business would severely suffer as most of their projects are in civil construction.

I respect the views of some analysts who still predict [upside potential](#) for the stock in the months ahead. But the way things are going, SNC-Lavalin is headed to total collapse. No one should invest in a company tainted with corruption.

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