



## Is It Time to Catch This Falling Knife?

### Description

Turnaround stories can be a great way to get a big return from your investments if you can catch the right one. These stocks abound, so luckily there are plenty to choose from. Screw-ups happen all the time, making companies go from hero to zero in a hurry.

**SNC Lavalin Group Inc.** (TSX:SNC) is one such company that just can't seem to catch a break. It's been in a revolving door of scandals over the last few years that it can't shake.

The recent bout of trouble has caused the [share price to fall](#) substantially to levels not witnessed during the depths of the financial crisis.

So is this falling knife a screaming deal at these prices or is it time to get in and take a chance on a turnaround? After all, SNC has been around for a long time.

The current share price might just be the kind of value that investors look for — a contrarian play that could pay off in the future.

This company has had a dark cloud hanging over it for a number of years. SNC reported a net loss of \$0.10 a share, which certainly didn't help matters at all. A lower total segment EBIT and an increase in financial expenses were primarily the culprits of the lower results.

It also cut its dividend in February for the first time in 27 years. While this was most likely a good move to shore up its balance sheet and conserve capital through this difficult time, it doesn't look good for shareholders who like to get growing income from their stocks.

On the positive side, however, was the increase in SNC's project backlog. This backlog increased by 17.2% year-over-year and should help contribute to higher earnings in the future.

SNC also entered an agreement to sell 10.01% of the shares in the 407 toll highway located in Ontario. The sale will provide the company with \$3.25 billion in proceeds from the sale, helping to further solidify its balance sheet.

It is extremely [cheap at these levels](#), trading at a forward price to earnings ratio of 10 times earnings. At 1.4 times book value, its book value is also quite reasonable. There is value here. Unfortunately,

stocks can continue to get far cheaper than one could ever dream possible.

## Is this a contrarian play worth the risk?

SNC is cheap. It still has an attractive business that will likely still make money in the years to come. If you have the courage to ride the company through what may be its darkest hour, you could make a lot of cash off this investment.

I'm drawn to contrarian turnaround companies, and SNC certainly fits the bill of a company that has fallen on hard times to an attractively cheap level.

But this is not a stock for me. The dividend cut was the final nail in the coffin. I'm not interested in companies that have to slash their payouts to shareholders.

If this were the first scandal to hit the company, I might be more interested, but there seems to be a little too much baggage in this company for me to be interested at the moment.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

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