



Why the Worst Might Still Be to Come for SNC-Lavalin (TSX:SNC) Stock

Description

It's one thing to buy a stock that's dipped in value, but buying one that is in the midst of a scandal is a very risky proposition. **SNC-Lavalin Group** (TSX:SNC) has dealt with many issues this year. Not only is the company headed to trial, but its operations have been a bit of a mess lately with significant changes being made to its business.

On Monday, SNC announced that it would be undergoing a re-organization, one that will see the company exit a significant business segment: turnkey projects.

In a press release, the company's interim president and CEO Ian Edwards said, "Lump-sum, turnkey projects have been the root cause of the Company's performance issues. By exiting such contracting and splitting it off from what is otherwise a healthy and robust business, we are tackling the problem at the source, and as a result we expect to see a material improvement in the predictability and clarity of our results."

Turnkey projects have been a significant source of business for the company. In addition to that, the company also suggested that it could exit the oil and gas business as well. These are some pretty big changes, and it makes it all the more difficult for investors to analyze and evaluate the company's worth. Amid all the controversy and possible fallout from its legal issues, these operational changes only make a stock that's already very risky an even more speculative buy.

Another earnings miss coming up

The company is already incurring some of the fallout from its decisions, as SNC also said that it will be booking a non-cash charge of \$1.9 billion this quarter. The company is again warning investors of a weaker-than-expected earnings report, which is set to be released on August 1.

This isn't the first time that the company has issued a warning about an underperforming quarter, as SNC also alerted investors before Q4 earlier this year that it would fall short of expectations.

However, the company went a step further this time and completely withdrew its guidance for 2019.

That's not a good sign and not something investors want to see. Guidance and expectations are what drive share prices, sometimes even more so than the actual results themselves. If the company doesn't know where it's headed or how it will do, there's little investors can do besides [guess](#).

Bottom line

SNC has been plagued with problems this year, and things simply aren't getting any better. The stock was, unsurprisingly, down on the news of this announcement, and it's likely to continue falling amid all the uncertainty surrounding the company. It has lost about half of its value this year, and there's no end in sight as to how far down the stock might go.

Overall, this is a stock I'd stay far away from until at least the dust settles from all of the problems the company is facing today. There's simply too much risk for the stock to be much more than a speculative buy today. Although the share price is the lowest that it's been in more than a decade, that's still not enough to make SNC [worth the risk](#).

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