



SNC-Lavalin Group (TSX:SNC) Stock to Surge on New Contracts

Description

SNC-Lavalin Group (TSX:SNC) announced a new major contract with **ExxonMobil** ([NYSE:XOM](#)) and SABIC for a petrochemical facility in Texas on Monday. ExxonMobil/SABIC is constructing a facility that will include a 1.8 million metric tonne ethane steam cracker among other industrial machinery in San Patricio County, Texas. SNC-Lavalin Group will plan and execute the construction project, providing labour and equipment.

SNC-Lavalin Group's stock price has lost over half its market value in the past year due to weak earnings performance. Nevertheless, with a below-average price-to-book (P/B) ratio, the stock has room to soar in an upward correction. Currently, the P/B ratio is 45% of the industry average at 1.07. Moreover, at the current stock price, the dividend yield stands at a generous 3.7%.

The ExxonMobil/SABIC facility in Texas will likely [turn the fortunes](#) of SNC-Lavalin Group. ExxonMobil and the Saudi-based company, SABIC, boast a vast professional network and tremendous market power. Thus, the new contract with ExxonMobil marks a potential upswing in earnings until 2022, the year of estimated completion for the San Patricio facility.

SNC-Lavalin Group

Founded in 1911, SNC-Lavalin Group is a global provider of engineering and construction services. It is a diversified company involved in many sectors, including mining, metallurgy, oil, gas, energy, and infrastructure.

SNC-Lavalin is active in some of Canada's top export industries: natural resources and technology. The company processes valuable metals such as aluminum, gold, copper, iron ore, nickel, fertilizer, sulphur, and other commodities for use in many consumer products, including batteries and electronics.

In energy infrastructure, nuclear life-cycle support comprises much of the company's revenue-generating activities. Additionally, the company provides engineering services for aerospace, defence, bridges, highways, mass transit systems, and water treatment plants.

ExxonMobil/SABIC

Founding in 1870, ExxonMobil is a global oil and natural gas corporation spanning every continent on earth. ExxonMobil operates approximately 24,696 oil wells and owns 24.3 billion barrels of oil reserves. The company is headquartered in the U.S. state of Texas.

SABIC is a Saudi Arabian chemical manufacturing company chaired by Abdulaziz Saleh Aljarbou. It is the fourth-largest chemical company in the world. The ExxonMobil/SABIC partnership gained attention in 2017 when U.S. president Donald Trump and King Salman bin Abdulaziz finalized business agreements between ExxonMobil and SABIC.

The two companies have strong ties dating back 35 years and co-own and operate three joint enterprises. The corporations chose to run two of those co-owned facilities in Saudi Arabia. The third enterprise will be the new San Patricio facility in Texas.

These two companies are active players in the oil and gas industry given their strong network of U.S. government officials including former president George W. Bush and former secretary of state Jim Baker. In 2018, during a SABIC visit to Texas, the crown prince of Saudi Arabia Mohammad bin Salman planned visits with both the former president and the former secretary of state in Houston, Texas.

Foolish takeaway

SNC-Lavalin Group may have been struggling to impress investors this past year, but the company is far from being a cash burn. It still has the spunk and enthusiasm to [deliver considerable returns](#) to its long-term shareholders.

RRSP investors unafraid of volatility and liquidity risk may consider adding SNC-Lavalin into their portfolio while it is underpriced to profit from the future price appreciation.

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