



Why SNC-Lavalin Group (TSX:SNC) Stock Rose 13% in September

Description

The **SNC-Lavalin** (TSX:SNC) scandal involving the Trudeau-led Liberal government dominated headlines in Canada this year. The story has lost steam in the late summer and early fall. Trudeau and his Liberal Party were forced to deal with a more personal scandal that soaked up media attention in September. The election is in full swing, but SNC has faded from the spotlight. This can only be a good thing for the company.

Back in February, at the height of the scandal's media attention, I'd discussed whether SNC stock was [worth buying on the dip](#). Shares would fall further in the spring and summer months before the stock finally turned around in September. What was behind this rebound?

A big investor to the rescue

In early September, it was announced that Jarislowsky Fraser upped its stake in SNC-Lavalin to 11%. The asset manager, which is now owned by **Scotiabank**, purchased shares in the company for the first time since 2013. This vote of confidence sparked a run into SNC stock last month.

We have seen the impact a big investor can have on a company in crisis. In the spring of 2017, Canadian alternative lender **Home Capital** appeared to be on the [verge of total collapse](#). Famed investor Warren Buffett's company **Berkshire Hathaway** bought into the troubled lender in the late spring of 2017. This vaulted the stock out of a single-digit price point. Home Capital hit a 52-week high in trading last month, though Buffett's company bowed out of Home Capital stock in late 2018.

Jarislowsky was one of the top shareholders pushing the sale of Highway 407 ETR. SNC went forward with punting off its 10.1% stake in the 407. The deal closed in mid-August and netted the company \$3 billion with an additional \$250 million contingently payable over a period of 10 years.

Analysts are jumping on the price

SNC has recently received positive coverage from **Canadian Imperial Bank of Commerce**, but even

at the height of its crisis, there was not a wave of calls to sell. The company is still an international giant, and its technicals make it look attractive at a glance.

Shares had a price-to-earnings ratio of 18 as of close on October 10, and a price-to-book value of 2.8. After all, SNC stock spent a good portion of the spring and summer in technically oversold territory. It had an RSI of 44 at the time of this writing, putting it at a neutral level.

Should you look at add SNC in the fall?

The stock is still trading close to its 52-week low at the time of this writing. As stated, it boasts encouraging technicals. The company is set to release its third-quarter 2019 results in early November. I'm still on board with this Canadian engineering giant bouncing back over the long term. Its performance in September should not be viewed as a blip.

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