



Top 2020 Long Stock Market Trade: A 30% Estimated Upside

Description

The price on **SNC-Lavalin Group Inc** (TSX:SNC) stock has been free-falling since October 2018 after news outlets revealed that the Canadian engineering company had a 30-year history of bribing foreign government officials. Consequently, demand for the shares of the dividend issuer plummeted in the stock market.

A Canadian jury proved on Sunday that Canada takes [corruption and bribery charges seriously](#). The jury convicted Sami Bebawi, a former SNC-Lavalin executive, of fraud and money laundering connected to criminal accusations of bribing foreign officials in Libya.

SNC-Lavalin executives paid international political figures in exchange for profitable government contracts in cash and, in one case, a \$25 million luxury yacht.

Stock market investors worry about fraud allegations

Bebawi used shell companies to pay one Libyan foreign official over \$100 million for help winning lucrative deals. Bebawi awarded himself at least \$26 million in illegal compensation. Although Bebawi's case has closed, SNC-Lavalin still awaits determinations on allegations of fraud and corruption that cost Libya \$130 million.

Before Canada's recent election, where Justin Trudeau won a somewhat weakened seat as incumbent Prime Minister, the SNC-Lavalin affair dragged Trudeau through the mud.

Former Attorney General Jody Wilson-Raybould resigned from her post, accusing Trudeau's administration of pressuring her to forgive the criminal charges against the company.

Powerful companies in Canada always bounce back

Canadian courts are coming down hard on one of its most profitable exporters, but corporations with political pull have a way of outliving harsh setbacks like these. It just takes time.

By Monday afternoon, SNC-Lavalin's stock price was up by \$1.59 per share, or 6.81% from Friday's closing price of \$23.34. More volatility lies ahead for the troubled stock, but the closing of court proceedings for the implicated SNC-Lavalin executives marks the beginning of the end.

In June 2018, the stock was trading for over \$60 per share on the **Toronto Stock Exchange**. If you bought into the stock right before the news hit of criminal allegations against the company, you would have lost nearly 65% of your investment. There's still a chance that investors will start piling into the stock over the next few years and restore the market value.

Average analyst price target shows 30% upside

The average analyst price target using 13 estimates from *Yahoo Finance* is \$32.04, a 30% upside from the current share price of just under \$25. The high price expectation is \$41 per share and the low is \$22.00.

Further, the average rating on [the stock is a buy](#), but I would still caution everyday Canadians from placing bets on the company just yet.

Many investors on **Twitter** and online forums are gambling with long positions on the current stock price volatility, while others are cracking jokes about short selling the stock out of spite for Justin Trudeau.

Imagine people from the whole Alberta open margin accounts simply to short [\\$SNC \\$snc.to](#) and [\\$BBD \\$bbd.b](#) out of spite on [@JustinTrudeau](#) ? <https://t.co/O3bCOI5bGf>

— Clark_S® (@Clark_SM7) [November 2, 2019](#)

While the stock is still risky, it could be a buy in the next couple of weeks depending on the outcome of upcoming court proceedings and what the judge comes back with next week.

Although many Canadian officials would love to cut the engineering company a break, given all the media attention, lax legal consequences for the company doesn't appear to be a viable political option.

Canadian retirees and investors should undoubtedly seek out companies with similar values. That said, SNC-Lavalin may never be the best investment in Canada.

Nevertheless, if you don't mind profiting from political turmoil and corruption, a long position in the stock might be profitable after the new year.

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