



SNC-Lavalin (TSX:SNC) Pleads Guilty: What's Next for the Stock?

Description

On Wednesday morning, the Investment Industry Regulatory Organization of Canada halted trading on **SNC-Lavalin Group** (TSX:SNC) shares. Soon after, we learned that the SNC's construction division would be pleading guilty to fraud charges related to work that it had done in Libya.

The plea deal could put SNC-Lavalin Construction on probation for three years, and the company would also have to pay a fine of \$280 million, which can be paid over a period of five years. That's what's been recommended by both the prosecution and defence, and it could be the first step toward SNC putting this issue to rest. The prosecution is also recommending that five other charges be dropped.

News comes as former executive found guilty

These developments come just days after a former SNC executive, Sami Bebawi, was found guilty on all that charges he was facing, including bribing a foreign public official and laundering the proceeds of crime. It has been more than 10 years since Bebawi served as the company's vice-president. It's a separate case from the one facing the company plead guilty to today, but it only adds to the concerns investors have about the company, especially with Bebawi's defence arguing that the nearly \$30 million that he received was a result of "company-approved bonuses" as opposed to money laundering.

SNC's problems have extended beyond the courtroom this year

The company has had a hard time convincing investors not to dump the stock this year. Its shares have fallen more than 47% heading into Wednesday, as a combination of bad press and poor results have weighed on the company. Over the past four quarters, SNC has amassed losses totalling \$978 million. In two of the past four quarters, the company's bottom line was more than \$1.5 billion in the red. In August, SNC reported a loss of \$2.1 billion that was primarily the result of a \$1.8 billion writedown of goodwill and other assets, making a \$280 million fine pale in comparison.

SNC has also announced that it would be [restructuring](#) its business and exiting turnkey projects, which

it has called, “the root cause of the company’s performance issues.” However, given the lack of stability the company has shown of late and its inconsistent financials, investors could hardly be blamed if they still have doubts surrounding its business.

Bottom line

SNC is one of the riskiest stocks to invest in, but the good news is, it made a move in the right direction today. Companies that have struggled with scandals have been able to bounce back, with **Home Capital Group** being a great example of a stock that’s been able to recover in a very big way since it [went over a cliff](#) a couple of years ago after accusations that it misled investors.

It could be a long road ahead for SNC’s stock to recover as well, but once its legal issues are firmly behind it, it will be a much more investable company. It will, however, need to produce stronger, more consistent results, and there’s no guarantee that will happen. The worst may be over for SNC, but that doesn’t mean the stock still has a long way to go from being a good investment again.

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