



Canadian Construction Giant That Could Gain 40% in 2020

Description

Sometimes life gives you opportunities that you never thought possible. They come once in a lifetime. Markets, on the other hand, always have opportunities around the corner, provided you have the stamina to keep hunting them down.

You need to look at companies with stable revenue sources and a good record that are trading at reasonable valuations. When you find them, you start stocking up on those companies *before* the rest of the world jumps on the bandwagon.

Aecon Group ([TSX:ARE](#)) is [a Canadian leader](#) in construction and infrastructure development. Aecon delivers integrated solutions to private and public-sector clients through its construction segment in the civil, urban transportation, nuclear, utility and conventional industrial sectors, and provides project development, financing, investment, and management services through its concessions segment.

The company has been around for over 140 years and is one of the most storied names in construction. GlobalData estimates that the construction sector in Canada will grow from US\$291.2 billion in 2018 to US\$304.6 billion in 2023.

The Canadian government plans to invest \$139 billion in key infrastructure projects through 2028. Aecon Group stands to benefit the most as these projects come through.

On December 17, 2019, Aecon was awarded three significant contracts with an aggregate value of \$690 million.

These contracts include the construction of 49 kilometers of pipeline around Edmonton, Alberta, for Trans Mountain Expansion; a contract by the British Columbia Ministry of Transportation and Infrastructure for the Highway 91/17 Upgrade Project in Delta, British Columbia; and a contract by NOVA Chemicals for the Area 100/200 Mechanical and Piping Installation.

Aecon's share of the three projects is valued at \$420 million and will be added to its construction segment backlog in the fourth quarter of 2019.

Aecon's reported backlog as on September 30, 2019, was \$6.57 billion compared to a backlog of \$7 billion a year earlier. New contract awards of \$827 million and \$2.27 billion were booked in the third quarter and year to date in 2019, respectively, compared to \$1.58 billion and \$5.07 billion, respectively, in the same periods in 2018.

Stock trading at a low valuation

With so many projects in its kitty, Aecon is trading at a shockingly low valuation. The company's stock is trading at \$17.37, which means the forward price to earnings multiple is 13.3. Comparatively, its earnings are expected to grow by 23.4% in 2019 and 12.9% in 2020 and at an annual rate of 9.9% in the next five years.

We can see that the stock is trading at a bargain, especially after accounting for its dividend yield of 3.3%. Analysts tracking the stock have given it an average tracking price of \$25, which is up over 43% up from its current price.

Aecon reported revenues of \$3.27 billion dollars for 2018 and earnings of just over \$59 million. The company has beaten estimates for three out of the last four quarters.

Aecon's revenues for the three months ended September 30, 2019, was \$1.025 billion, 1% higher compared to the same period in 2018. Operating profit of \$58.8 million for the three months ended September 30, 2019 improved by \$2.6 million compared to an operating profit of \$56.2 million in the same period in 2018.

Aecon is a great stock available at a very good bargain today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ARE (Aecon Group Inc.)

PARTNER-FEEDS

1. Business Insider
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