



Why This 1 CPP Pension Stock is a Must-Own in 2020

Description

The whispers are getting louder that there may be significant mergers coming up in 2020. **WSP Global** ([TSX:WSP](#)) is a name often mentioned in these market rumours, and investors are keenly following the developments.

WSP Global is undoubtedly among the top pure-play consultancy firms globally. This \$10-billion company has done very well in the engineering and construction space during the last eight years. Should an industry consolidation take place, WSP Global should be at the front and centre of things.

I am sure too that the Canada Pension Plan Investment Board (CPPIB), the fund manager of the CPP, is closely monitoring the moves of the company. WSP Global is the fifth-largest Canadian [equity holding of the CPPIB](#).

Overtures to a rival

Early this year, word went around that WSP Global sent feelers to rival engineering services firm **Aecom** about a possible deal. There is no confirmation yet, but WSP can fulfill its strategic ambition of enhancing activities in the U.S. by acquiring the L.A.-based firm.

Aside from the exposure to the U.S., both engineering companies can save US\$200 million save on costs, consolidate real estate, and streamline procurement and system investments. WSP is growing due to its aggressive expansion.

The company made five acquisitions in 2019, including New York-based Ecology and Environment Inc. The latter derives 80% of revenues from contracts with the U.S. government while the rest comes from Brazil, Chile, Ecuador, and Peru.

Also, the workforce of this former boutique firm with 61 years of corporate existence is swelling. WSP is looking to overtake **SNC-Lavalin's** 52,000 bodies and have human resources of 65,000 by 2021.

Another merger in the works

Another industry merger involving WSP could happen this year. The company and Canadian real estate data, software solutions, and advisory firm **Altus Group** have agreed to form a geomatics firm in Canada. Both companies have an excellent track record of maximizing the value of business assets.

According to Ryan Brain, WSP president and CEO, "The combination of these businesses with complementary geographical and sector expertise will create a leading Canadian geomatics firm and one that will be broader in scope than either company individually."

The merger of WSP and Altus should give birth to a premier player in the collection, analysis, and interpretation of land data. Analysts, however, believe that WSP needs to concentrate more on rival Aecom because the deal is much bigger. Raising funds might be necessary.

Stock performance

The gain of WSP thus far this year is 7.42%, while gains in 2019 were 51.9%. Had you invested \$10,000 in the stock three years ago, your annual average total return would be 30.99%. Your money would be worth \$22,442.54 today, including reinvestment of dividends. The current yield is 1.62%.

Analysts covering WSP are forecasting the stock to top the \$100 mark and go as high as \$105 in the next 12 months. The CPPIB must have chosen to invest in WSP because of the [potential to maximize returns](#). You can take their cue and consider taking a position on this top CPP stock as well.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:WSP (WSP Global)

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