



SNC-Lavalin Stock Price Rose 2.5% in February

Description

The **SNC-Lavalin Group** stock price continued to recover in February off unsustainably low levels in February. SNC stock continued to bask in the glow of settled federal charges and company restructuring. As the stock continues to recover, let's zero in on February's performance and determine if the rally will continue.

So why did SNC stock price rise 2.5% in February, a month that saw sharp declines on the S&P/TSX Composite Index?

SNC-Lavalin stock price rises off of strong quarterly results

SNC-Lavalin reported a net loss of \$1.67 per share in the fourth quarter. This was due to \$257.3 million in settlement charges and \$99.6 million in restructuring charges. While these negative items are certainly significant, they are now out of the way. Finally, the overhang of the SNC-Lavalin scandal is quickly moving to the rear view mirror.

Looking beyond these one-time charges, the company reported adjusted EPS of \$0.45 compared to a net loss of 1.62 per share in Q4 2018. We can therefore see a big improvement in SNC's business as the company restructures and refocuses. Investors will increasingly focus on this positive narrative.

Debt levels are declining sharply, and profitability levels are increasing nicely. [Cash levels have risen significantly](#), to \$1.2 billion from well below \$700,000. All of this should lead to continued increases in SNC stock price.

SNC-Lavalin stock price rises off of fruits of restructuring

A more narrow focus has led SNC to exit 15 countries where they are not profitable. It has led to a greater concentration on core geographies. This includes Canada, the U.S., the U.K., the Middle East, Hong Kong, and Australia.

As an engineering and construction firm, SNC-Lavalin has plenty of growth drivers. This will continue to drive value as the company continues to execute. Infrastructure in North America is old and needs replacing and improvements.

Also, a rapidly changing world will mean that increasingly more work will need to be done on newer infrastructure. As such, renewables, technology, and nuclear power are strong growth areas for SNC.

As an indication of the health of the future, we can look to the company's backlog. Backlog in the engineering services segment increased 8.9%.

SNC-Lavalin stock price rallies off of cheap valuation levels

Valuation levels on SNC stock are still pretty cheap. SNC stock is currently trading at a price-to-earnings ratio of 14 times and a price-to-book ratio of 1.3 times. The company is expected to swing from a net loss of \$0.40 per share to a net profit of \$1.87 per share.

Foolish bottom line

SNC stock price held its gains in February, as the company builds on the momentum that it has been riding on many fronts. At this point, the stock has risen 76% from 2019 lows, with room to move still higher.

In closing, I would like to remind Foolish investors of our belief in [holding great businesses for the long term](#). While this belief remains intact, short-term stock price movements often create opportunities to create wealth.

We therefore need to blend this long-term focus with an eye for short-term stock mispricings. Only then can we use both strategies in harmony. Our quest for financial freedom can be fulfilled.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATRL (SNC-Lavalin Group)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date

2025/07/01

Date Created

2020/03/10

Author

karenjennifer

default watermark

default watermark