



## In a Battle of Infrastructure Companies, Who Comes Out on Top?

### Description

I believe that investors in Canada's infrastructure sector, and in the infrastructure industry globally, will do well, from a long-term perspective. This is because of various growth drivers that are not currently being appreciated by financial markets.

Let me explain by comparing and contrasting two Canadian infrastructure options: **SNC Lavalin Inc.** (TSX: SNC) and **WSP Global** ([TSX:WSP](#)).

### SNC Lavalin Inc.

Most investors know about the legal challenges that have haunted SNC shareholders recently. The events have been reflected in SNC's stock chart, which has been choppy in recent months, to say the least. However, it appears the company can finally move on – many analysts now view SNC as being in the clear with respect to these legal challenges.

When it comes to determining whether SNC is a fit for their portfolios, investors need to look at SNC's assets and determine if it has the right revenue streams. By this I mean the kind of [steady, diversified revenue streams](#) that are essential to long-term profitability. This is where I would suggest investors focus their time when researching infrastructure plays.

With regard to revenue streams, I view SNC's decision to sell down its exposure to the 407 highway as a headwind for the company. The steady revenue from this kind of toll road is one of the key reasons to own a name like SNC Lavalin. This is particularly true given that construction revenues tend to be unstable in times of economic weakness.

### WSP Global

WSP Global has a couple things in its favour when it comes to revenue stability. The first key driver of WSP's revenue stability comes from its diversification of income streams. The company has targeted some specific niche sectors that I view as high growth areas, and which should help WSP outperform

its peers over the medium-term at least.

These include a strong and growing environmental division, focused on the development of various assets such as renewable energy projects. Projects like these would fall under the environmental, social, and governance (ESG) mandates many institutional investors are implementing.

While I see the sector is catching up to what WSP is doing, the company is still a leader in this space. This could mean greater market share for WSP and an improved long-term market position relative to its peers. WSP also has a strong consulting division that has outperformed. I think it will continue to outperform for some time to come.

## Bottom line

I think this is a great time for investors to add portfolio weight to the infrastructure sector. Government spending in the range of trillions of dollars is needed in North America alone to rebuild and maintain key infrastructure such as bridges and roads. Many such infrastructure elements have already reached the end of their useful life.

I also believe it is also important for long-term investors to pick companies within a sector or a theme that have long-term growth profiles and solid fundamentals. In this regard, WSP would be my recommendation for such investors.

Stay Foolish, my friends.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. bear market
2. infrastructure
3. recession

### TICKERS GLOBAL

1. TSX:ATRL (SNC-Lavalin Group)
2. TSX:WSP (WSP Global)

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