



Coronavirus Market Crash: This TSX Company Is Well Prepared to Fight the Pandemic

Description

During testing times, companies and businesses look to their leaders for direction, the way forward, and the confidence to assure themselves that everything is all right. Good leaders have a blueprint of a plan that shows exactly what the company is going to do. Now, it's rare that a business plans includes a contingency against COVID-19, but it helps if top management is not shooting blind.

Stantec Inc ([TSX:STN](#))([NYSE:STN](#)), an engineering and construction specialist headquartered in Edmonton, actually has a Pandemic Committee. This committee was established some years ago and has recommended initiatives that the company has been implementing in the wake of COVID-19.

The committee's objective is to execute the company's standing Pandemic Response Plan on both a company-wide and localized basis to:

- Protect the health of employees
- Provide for the continuity of activities essential to the business
- Minimize the disruption to clients, customers, employees, and services

All Stantec employees have the option of working from home and over 75% of them have work laptops that can be carried home. The remaining have the option of working from their personal machines or to transport their work desktop home.

All Stantec travel to and through mainland China, Hong Kong, Macau, and South Korea has been prohibited until further notice. Fifty staff work in Shenzhen, China. The office was shut for a period of time at the direction of the local authorities. Stantec is closely watching conditions in the region. The company also has 150 staff in Milan, and over 95% of them are working from home.

Stantec's strong revenue growth

The company functions in a systematic manner and the numbers prove this theory. Stantec has steadily increased revenues and earnings from \$3.1 billion and \$130.1 million in 2016 to \$3.71 billion

and \$194.4 million. Numbers reported on February 26 were in line with guidance.

Net revenue for 2019 increased by 10.6%, or \$356.1 million, due to organic growth as well as acquisitions. Operating cash flows from continuing operations saw a significant improvement, increasing by 62.4% to \$333.2 million (including IFRS 16 effects, operating cash flow 119% to \$449.9 million). Return on invested capital at December 31, 2019, was 8.8%, and the board approved a 6.9% increase in the company's dividend to an annualized \$0.62 per share.

When you look at these numbers you understand why Stantec is ranked in the top three design companies in North America and the top 10 in the world. In December 2019, Stantec announced a strategic three-year plan. It aimed to:

- Grow earnings per share at a compound annual growth rate (CAGR) of greater than 11% by the end of 2022
- Deliver a return on invested capital of greater than 10% by the end of 2022
- Grow net revenue at a long-term CAGR of greater than 10%

Stantec says it is currently on track, but how much COVID-19 affects its client base is unknown for now. Stantec shares are trading at \$35 right now. Analysts have given the company an average target price of \$46.8, which is an upside of over 34% from current levels. This is a [conservative company with a strong balance sheet](#). It should be on your radar right now.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. NYSE:STN (Stantec Inc.)
2. TSX:STN (Stantec Inc.)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Investing

Date

2025/08/20

Date Created

2020/03/28

Author

araghunath

default watermark

default watermark