



## Why SNC-Lavalin (SNC) Stock Price Lagged the TSX Index by 89% in March

### Description

**SNC-Lavalin Group Inc.** (TSX:SNC) stock price has been flailing around for a while now, as the company has had problems long before the pandemic hit. Corruption allegations sent SNC stock to lows of well below \$20 in July 2019, and things have been rough for the company ever since.

In March, all eyes were on the developments related to the coronavirus. Societies are attempting to lessen the human toll of this virus by taking measures that were unimaginable only a few months ago. As the realities of social distancing and isolation became increasingly clear, the economic fallout also became crystal clear.

For SNC-Lavalin, now that the corruption charges have been settled, it could have been business as usual. [But as we know, none of that is happening in today's environment.](#)

### The SNC-Lavalin stock price lagged the TSX because of corruption overhang

Although the corruption charges were officially settled, this overhang will not go away easily. It tarnished the company's reputation and efforts to move forward have been difficult. Investors remain leery.

It's indeed difficult to erase such a past and in today's environment, even more so. [Risk appetites are dramatically lower than even a few months ago.](#)

We as investors have so many new uncertainties and risks to get our heads around and make peace with, and don't want extra risks at this point. Taking on the added risk of corruption (perceived or real) is not an attractive proposition.

## SNC stock price lagged the TSX due to uncertainty regarding projects

The coronavirus crisis has caused a suspension of certain of SNC-Lavalin's big infrastructure projects in Canada. This is due to ordered non-essential work stoppages in certain provinces and includes certain construction projects.

But, focusing on the business, there *is* reason for hope. Although the company has withdrawn financial guidance at this time, cuts are being made to withstand the coming pain.

SNC-Lavalin is cutting costs, including lowering executive compensation and reducing worker hours. The company has cash of \$1.2 billion and a \$2.6 billion revolving credit facility.

SNC's engineering, design, and project management business represents 43% of total revenue. In this segment, SNC has plenty of long-term growth drivers. Infrastructure is old in North America, and needs replacing and improvements.

More work need to be done on newer infrastructure to support renewable energy, technology, and nuclear power. SNC-Lavalin stock price will benefit from all of this.

### Foolish bottom line

We at Motley Fool have the opportunity today to help our readers through a difficult time. We would like to help guide and lessen anxieties regarding all of our financial futures and well-being. I would therefore like to remind Foolish investors of our belief in holding great businesses for the long term.

This belief remains intact today even though current short-term stock price movements are stressful. Keeping our long-term focus while taking advantage of short-term stock mispricings will help us through. We can still fulfill our quest for financial freedom.

SNC-Lavalin stock has some growth drivers after the crisis is over. This includes future increased infrastructure spending by the government. This can work to kick-start the economy when this is all over.

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