



This 100-Year-Old Construction Player Is a Solid Bet During the Pandemic

Description

I have been following **Aecon Group** ([TSX:ARE](#)) since the start of this year. [I had written about it](#) in January, expecting the company to gain around 40% from its then levels of \$17.57. Obviously, no one had an idea about the havoc the coronavirus would wreak on everyone's lives and businesses. It's been more than three months since that article, and Aecon is trading at \$15.08, down just over 14%. The company has held up very well in the pandemic.

Aecon is a Canadian old-timer in the construction and infrastructure space and has been around for over 140 years. Its clients are mostly government agencies and blue-chip companies. It works in the realm of civil construction, urban transportation, nuclear, utility, and conventional industrial sectors. Aecon provides project development, financing, investment, and management services through its concessions segment.

Aecon announced solid Q1 results

Aecon [announced its results](#) for the first quarter of 2020. Aecon's revenues clocked in at \$748 million — \$97 million, or 15%, more than the same period in 2019. Adjusted EBITDA came in at \$19.2 million — \$7.3 million more than the \$11.9 million in the first quarter of 2019.

The company's operating loss was \$9.7 million, \$1.1 million lower than the operating loss of \$10.8 million in the same period in 2019.

Aecon has an order book of \$6.95 billion on March 31, 2020, compared to \$6.74 billion on March 31, 2019. The company booked new contracts worth \$912 million in this period.

This includes the contract for Fraser Crossing Partners, a 50/50 joint venture between Aecon and Acciona for the Pattullo Bridge Replacement Project in British Columbia on February 10, 2020. The total value of the contract is \$968 million.

On February 3, 2020, Aecon completed the acquisition of Voltage Power Ltd., an electrical transmission and substation contractor headquartered in Winnipeg, Manitoba for \$30 million. Voltage

Power brings medium- to high-voltage power transmission and distribution capabilities to Aecon.

COVID-19 impact

No Aecon project has been cancelled to date. There are a few projects that have been delayed or suspended. The main impact with respect to the virus has been the Bermuda International Airport Redevelopment Project, where both commercial operations and construction of the new terminal have been suspended.

Construction has also been temporarily suspended at the Montreal REM LRT and partial Site C. The next phase of refurbishment on nuclear projects has also been delayed.

When asked about the risk of termination, Jean-Louis Servranckx, Aecon Group president, CEO, and director, said the following:

“None of the projects that we have put in backlog have been either canceled or postponed ... we don’t see a real impact on the volume of our backlog so far ... So I would tend to say that we are not that much worried about the future.”

However, he did admit that Q2 is going to be a challenge.

David Smales, Aecon Group executive VP and CFO, added that the company is not too worried on the receivables front either:

“...if you look at kind of project profile and client profile, we work with — primarily with governments or government agencies. I would say, if anything, they’re motivated to keep all their contractors well-funded right now as part of the broader government push to support the drivers of the economy and the current situation we’re in. So from that perspective, no concerns.”

The company sports a forward dividend yield of over 4.3%. It’s a solid company that will keep chugging on. It’s a good defensive stock to have in your portfolio.

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