
# Buy Alert: This 4.3%-Yielding TSX Giant Can Return 30% in the Next Year

## Description

I like companies that have weathered multiple financial crises. It's a testament to their business models and resilience that they are able to navigate out of tough situations.



**Aecon Group** (TSX:ARE) has been around for over 140 years, and it has continued to be a steady performer in the construction and infrastructure space. Aecon reported its results for the second quarter, and while Q2 was tough, a major positive for the company is that it has lined up a record order book, as projects have been delayed.

Revenue for the second quarter ended June 30, 2020, came in at $779 million, 10% lower compared to the second quarter of 2019. The company reported an operating loss of $1 million, $29 million lower compared to an operating profit of $28 million in 2019.

Aecon operates in two segments: construction and concessions. The concessions segment provides project development, financing, investment, and management services to various companies and projects.

Construction revenue was $778 million, 8% lower than the same quarter last year. Revenues in civil operations, urban transportation systems, and nuclear operations were lower because of the pandemic slowdowns, but they were offset by road-building projects.

The utilities operations from Voltage Power also added to the revenues. The concessions segment had an 86% drop in revenue to $9 million from $63 million in 2019. This was due to commercial flight operations getting suspended at the Bermuda International Airport due to the COVID-19 pandemic and construction activity slowing down.

## Record order book

Aecon had an order book with a record $7.3 billion backlog position, the highest ever in the company's history compared to $6.8 billion a year earlier, representing an increase of 7%. Out of this, $1.1 billionis a contract for medium jobs and industrial jobs.

There have been no big announcements, but Aecon bagged a contract from Western Canada. Another piece of good news is that there are no previously recorded projects in the company's backlog that have been cancelled due to COVID-19.

A lot of governments in regions where Aecon operates have deemed their construction projects as essential services. Operations are going on, albeit on a modified basis in some places. The company doesn't expect a big impact of the pandemic in Q3, but it has said that it expects Q3 to be stronger than Q2.

Further, the third quarter will start looking like a normal quarter for the construction segment, with the exception in its nuclear vertical. Nuclear will continue at a very low run rate in Q3, as the ramp-up on the next phase of work has been delayed until late in the third quarter and into the fourth quarter.

The Bermuda International Airport will also be a gradual ramp-up. When the airport opened on July 1, it was operating at a 5-10% capacity. Aecon doesn't expect a quick bounce back here, and it expects Bermuda to "be a drag on margins at a consolidated level."



The stock trades at $14.68 right now, $0.5 below the level at which it was trading when I wrote about it in May this year. The target for this stock is $20, and a forward yield of 4.3% makes it a good defensive buy for your portfolio.

**CATEGORY**

1. Dividend Stocks
2. Investing

**POST TAG**

1. Editor's Choice

**TICKERS GLOBAL**

1. TSX:ARE (Aecon Group Inc.)

**PARTNER-FEEDS**

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

**Category**

1. Dividend Stocks
2. Investing

**Tags**

1. Editor's Choice

**Date**
2025/07/05
**Date Created**
2020/07/27
**Author**
araghunath