



EARNINGS ALERT: Buy This Cheap TSX Stock Now

Description

Aecon Group ([TSX:ARE](#)) — the Toronto-based construction company — released its second quarter of 2020 earnings report on Thursday, July 23. The event triggered a selling spree in its stock, as it fell by 1.5% for the day.

As of July 24, Aecon Group stock is trading with 16.2% year-to-date losses against a 6.2% drop in the **S&P/TSX Composite Index**. By comparison, other Canadian construction firms, such as **WSP Global** and **SNC-Lavalin Group**, have seen 6.6% and 18.3% value erosion in 2020, respectively.

Most analysts are positive on Aecon Group stock

Currently, 11 Bay Street analysts are tracking Aecon Group stock. Among these 11 analysts, 10, or about 91%, are suggesting a “buy” with a target price of \$19.95 for the next 12-month period. At the same time, only one analyst out of total 11 is suggesting “hold” on the stock, and no analyst is recommending a “sell.”

Analysts’ consensus target price of \$19.95 for the company’s stock reflects an upside potential of 35.9% from its Friday’s closing price of \$14.68. Now, let’s take a closer look at Aecon’s recent financials to understand why most analysts are positive about the company right now.

Aecon Group’s Q2 earnings

In Q2 2020, Aecon Group posted adjusted net loss of \$0.10 per share — better than a net loss of \$0.19 in the previous quarter, but worse than its earnings of \$0.31 per share a year ago. Nonetheless, it was the sixth quarter in a row when the company beat Bay Street analysts’ earnings estimates.

In the first quarter, Aecon Group's revenue fell by 10.1% year over year (YoY) to about \$780 million. But it was much better as compared to its revenue of \$748 million in the previous quarter and analysts' revenue estimate of \$694 million. Similarly, Aecon's EBITDA improved sequentially to \$24.4 million, but it was down by 57% on a YoY basis.

How COVID-19 is affecting Aecon's business

In the second quarter, [COVID-19-related factors](#) stole about \$122 million from Aecon Group's revenue. The ongoing pandemic has caused delays in its civil and urban transportation system and nuclear power facility-related projects. This decline in the company's total revenue also affected its EBITDA during the June quarter.

Foolish takeaway

While Aecon Group stock has gone down after its second-quarter earnings, I consider it an opportunity to buy the stock at a lower price. The company currently has a well-diversified construction business model with its orders ranging from roads and highways, urban transportation, industrial, nuclear power, and utilities.

I agree with Aecon Group's expectation that the demand in the construction sector is likely to surge as the pandemic subsides. In its second-quarter presentation, the company [highlighted](#) that the government has "identified investment in infrastructure as a key source of economic stimulus once the country reaches the recovery phase." This expectation could be one of the reasons why most analysts are positive on Aecon Group stock, and it gives me good confidence to buy its stock right now.

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