



TFSA Investors: 1 Industrial Value Stock to Own Over the Long Term

Description

North American Construction Group ([TSX:NOA](#))([NYSE:NOA](#)), which was formerly called North American Energy Partners, provides a wide range of [mining and heavy civil construction services](#) to customers in the resource development and industrial construction sectors, primarily within Western Canada but also in other parts of Canada and the U.S. The company's services are primarily focused on supporting the construction and operation of surface mines.

NACG is considered to be a [comprehensive service provider](#) because it provides services through the entire lifecycle of projects. The company's work typically begins with the initial consulting services provided during the planning phase, including a review of constructability, engineering and budgeting.

Wide array of services

Services provided by NACG include clearing, muskeg removal, site preparation, underground utility installation and mine infrastructure construction. As the company's mining customers move into mine production, the company supports the preparation of the mine by providing ongoing site maintenance and upgrading, equipment and labour supply, overburden removal, material hauling and land reclamation.

NACG's core market is the Canadian oil sands, where it provides construction and operations support services through all stages of the mine's lifecycle. The company has extensive construction experience in both mining and heavy civil projects. The company's services are typically provided pursuant to multiple use agreements that set out contractual terms over three- to five-year periods.

Partnerships and agreements

While NACG enters into agreements that do not necessarily guarantee any particular volume of work, the company has enjoyed recent success in securing a significant volume of committed work under several agreements. Historically, the company have been able to renew or renegotiate master service agreements and multiple use agreements with major producers as it expires.

In addition to construction services, NACG also provide heavy equipment maintenance, component re-manufacturing and rebuilding services to mining companies and other heavy equipment operators. The company's maintenance personnel have specialized skills in working with equipment subjected to the difficult operating conditions of the mining industry. Those specialized skills coupled with NACG's new purpose-built facilities allow the company to provide a high level of maintenance services in a cost-effective manner.

Significant growth trajectory

While the heavy equipment maintenance portion of NACG's business is currently relatively small, the company intends to grow the business over the next few years. NACG directly operates a heavy equipment fleet of 626 units supported by over 1,450 pieces of ancillary equipment. In addition, the joint ventures NACG operates have a combined owned fleet of approximately 270 pieces of heavy equipment.

Overall, the company has a modern, well-maintained fleet of equipment to service client needs. It operates a significant number of trucks larger than 240 tons in capacity, giving the company a distinct advantage over its competitors with respect to equipment availability.

The size and diversity of NACG's fleet gives it the ability to respond on short notice and provide customized fleet solutions for each specific job. This unique ability should serve long-term shareholders well.

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