



Is the Infrastructure Trade Over? Maybe Not Yet: Consider SNC Stock

Description

Long-term investors seeking [reliable and stable returns](#) have looked to infrastructure plays. However, one larger-cap Canadian infrastructure player, **SNC Lavalin** (TSX:SNC), has [struggled](#) in recent years. Indeed, SNC stock has been one of the hardest-hit stocks since 2018 on a variety of scandals that have hit this company hard.

Investors may remember that SNC stock was actually trading well above \$50 per share for much of the past decade. Prior to the series of scandals the company has had to endure, shares traded in a relatively stable range between \$40 and \$60 per share.

However, this is a stock that has dipped to as low as \$17.50 this past year, and even lower in 2019. This is a company that investors still seem to remain cautious with. This caution comes in the face of what appears to be strong drivers for this company.

Let's take a look at what the experts think about where this stock could be headed.

Analyst verdict on SNC stock: time to buy

A variety of analysts remain bullish on SNC stock in the context of the infrastructure spending that hasn't happened yet. As a global engineering, design, procurement, and project management firm, SNC stands to benefit from increased infrastructure spending. Whether it's the private sector or the public sector doesn't matter. SNC has contracts with many large stakeholders globally.

Given the rise of infrastructure-friendly governments in North America and Europe, SNC stock should do quite well. Analysts have suggested that the company's backlog of more than US\$13 billion ought to be one of the key factors investors consider. After all, this is a company valued at a little more than US\$4 billion. In other words, this company is trading at roughly one-third the value of its backlog.

Now, many companies with large order backlogs trade at such a multiple. However, expectations are that SNC may be able to realize some of this revenue sooner and grow its backlog faster than the market is predicting. Should that materialize, SNC stock could take investors on a nice ride.

The company's valuation of approximately 15 times forward earnings is cheap. In an overvalued market, this is the kind of company many value investors will look for.

Of course, risks related to the company's governance track record and the quality of the company's management team remain. Accordingly, many investors simply won't touch this stock. However, for those who believe SNC is a turnaround play worth considering, this company sure looks like it has some value at these levels.

Bottom line

I would put SNC stock in the higher-risk, higher-reward bucket of value plays. I think this company's fundamentals point to value. However, risks related to execution and management remain concerns at this point in time.

Those who believe SNC's troubles are behind the company may want to consider this stock at these levels. It might be worth the gamble.

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Date

2025/06/28

Date Created

2021/07/21

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