

Why SNC (TSX:SNC) Stock Has Surged 75% Year to Date

Description

It's been a while since Motley Fool investors have read anything about **SNC-Lavalin Group** (TSX:SNC). And it's no wonder. The \$6.6 billion company has been flooded with controversy for years, with corruption and bribery only some of the charges it's faced. Yet today, SNC stock is up 75% year to date! This comes after bottoming out after charges followed by the market crash.

So, what's changed? Or has anything changed? Today, we're going to look at why SNC stock is surging on the **TSX** today and if Motley Fool investors should consider it for their portfolio or pass on it.

What happened?

There are plenty of older Motley Fool articles that <u>cover all the controversies</u> of SNC stock. So, frankly, I'm not going to get into that here. Instead, I'm going to cover what's been happening with the company lately. After a major management shift, the company stated its committed to a controversy-free future.

But then the pandemic hit, of course, sending the construction and infrastructure company into free fall. Yet shares were still higher than they were in August 2019, when the controversy was at full swing. Since the crash, however, there has been a slow climb upwards. That is, until this year.

Construction looks to be given the green light, with vaccinations now expanding worldwide. And this worldwide company is all in. SNC stock most recently signed on to deliver the United Kingdom's "most advanced rail-signaling test facility." The 10-year deal is set to start up in February 2022. This comes after further news SNC stock is looking to build a rail line to northern Québec.

And all this is on top of a strong quarter for SNC stock. The company reported a 2.4% increase in engineering services revenue and now has a backlog worth \$11.1 *billion*. It expects the adjusted EBITDA revenue to be between 8% and 10% higher for 2021 compared to 2020.

So what?

It seems that investors realize that SNC stock is headed for a rebound. Shares are up 75% year to date but still offer a deal. Back in September 2018, shares reached an all-time high around \$60 per share. Today, shares trade at \$37.75 as of writing. So, that's still a significant amount of room to reach those highs once more — about 60% more room, actually.

But *is* it a good deal? In short, if we look at the fundamentals and the construction recovery, yes. It's true, the second-quarter results actually fell short of analyst expectations. But the main thing they're noticing is consistent revenue from organic growth. Demand for the company is solid, and the U.S. infrastructure bill could see a huge upside for SNC stock.

Analysts believe SNC stock will continue to outperform the market and even raised the potential upside for the stock. Right now, the average share price is \$41.50. That's a potential upside of about 10% as of writing.

Now what?

So, the question now is, should you buy? Sure, SNC stock is looking to outperform. The backlog alone shows that the company has consistent revenue coming in. However, investors should also pay attention to make sure this stock is still a strong deal. While 10% growth is great, it's not guaranteed. And once the rebound happens, SNC stock may still be one that investors remember as risky, to say the least.

But right now, analysts are fairly bullish on the stock on the TSX today. It's reporting strong revenue and expects that to continue growing at a solid clip. It offers a price-to-book ratio of 2.4, which is certainly strong. And it's in the construction industry, set to rebound at amazing levels post-pandemic.

So, if you want to invest in a growth stock like SNC stock on the TSX today, I don't blame you. But this remains a fairly risky company for Motley Fool investors given its history.

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