



Where Is SNC Stock Headed From Here?

Description

The infrastructure sector has attracted a lot of interest from long-term investors who seek stable and consistent returns. That said, among larger-cap infrastructure stocks on the TSX, **SNC Lavalin** (TSX:SNC) stock hasn't done well from a capital-appreciation standpoint.

Currently, SNC stock remains [well off its pre-pandemic highs](#). This is a company that's been embroiled in a number of political scandals over the years. Indeed, I've been bearish on this stock for quite some time.

While my view hasn't necessarily changed, let's dive into some pros and cons of SNC stock right now.

The bull case for SNC stock

Besides the various political turmoil SNC has seen in recent years, the company's overall business has been under pressure as well. In response, SNC-Lavalin took various cost-cutting measures over the past two years. For [growth](#) investors, cost cutting isn't necessarily conducive to an investment thesis.

However, the company has since switched its view toward growth, particularly in the United States. SNC has announced a three-year growth plan. This plan involves strengthening the company's presence south of the border in the public and private sectors.

This year, revenue from U.S. operations is expected to come in around \$1 billion. Profit margins have been on the incline, as has the overall number. Accordingly, bulls may note that SNC is placing its chips smartly right now.

The company believes that SNC may be able to grow at a mid-single digit rate, irrespective of acquisitions. This organic growth rate could be somewhat enticing for investors with a longer-term time horizon.

Risks still remain

Putting aside the various political risks for a second (which is hard to do), SNC stock faces a number of additional headwinds.

This company's growth outlook remains heavily driven by government investment in infrastructure. With the U.S. infrastructure bill still pending, investors may start to get cold feet with respect to this entire sector.

Additionally, materials costs have been on the rise, as a result of the supply chain issues we've seen of late. Until these resolve, margins could be squeezed, leaving investors in SNC stock no better off, even factoring in the company's anticipated growth.

Bottom line

I'm of the view that SNC stock remains one that certainly presents a compelling growth argument. There are reasons why infrastructure spending needs to rise. However, the pace and aggressiveness of this private and public investment remains to be seen.

Additionally, the margin concerns and political headwinds plaguing SNC stock are far from being resolved. Accordingly, this is a stock with some hair.

In the absence of a meaningful dividend yield, I see much better opportunities to play the infrastructure space right now. That said, this sector is one I'd invite Foolish investors to keep an eye on right now.

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