



Why SNC Lavalin (TSX:SNC) Stock Jumped 45% in 2021

Description

SNC-Lavalin Group (TSX:SNC) is a Montreal-based company that provides engineering, procurement, and construction services to many industries. Some of these industries include mining and metallurgy, oil and gas, environment and water, infrastructure, and clean power. Shares of this stock increased 45% in 2021. Today, I want to look at how SNC-Lavalin [rebounded](#) after hitting a [rough patch](#) in the late 2010s. Is the stock worth buying today? Let's dive in.

Why SNC-Lavalin bounced back in a big way in 2021

In 2019, SNC-Lavalin found itself embroiled in a major scandal. A report from *The Globe and Mail* suggested that the prime minister's office (PMO) pressured the then-minister of justice to intervene in ongoing criminal proceedings against the company to offer a deferred prosecution agreement. Minister of Justice Jody Wilson-Raybould refused and eventually resigned after a cabinet reshuffle.

SNC-Lavalin went on to plead guilty to fraud later in 2019 and was forced to absorb a \$280 million fine. Shares of this stock were hit hard during the March 2020 [market pullback](#) and failed to recover those losses for the rest of the year. The COVID-19 pandemic piled on more pressure for a company that sought to recover in 2020.

In 2021, the company won some promising contracts and got back on track. It released its third-quarter 2021 earnings on October 29. Total revenue was reported at \$1.80 billion — up from \$1.78 billion in the third quarter of 2020. For the year-to-date period, total revenue rose to \$5.42 billion compared to \$5.30 billion in the first three quarters of 2020.

Should investors be encouraged or cautious looking ahead?

SNC-Lavalin's Engineering Services segment posted revenue of \$1.5 billion. It delivered organic growth of 2.2%, or 4.2% based on constant currency. Meanwhile, this segment posted adjusted EBIT of \$145 million, which was in line with the previous year. Net income for the year-to-date period was reported at \$719 million — up from a net loss of \$262 million in the first nine months of 2020.

The company unveiled its 2021 outlook update in the third quarter. SNC-Lavalin projects that its Engineering Services segment will increase by a low-single-digit percentage. Moreover, it now expects that consolidated net cash generated from operating activities will mostly break even for the full year. This is due to positive operating cash flow from SNCL Engineering Services to be offset by an operating cash flow usage in SNCL Projects.

Overall, SNC-Lavalin has made some promising strides in a bounce back year. There is reason for optimism, even as the Omicron COVID-19 variant looks to make the beginning of 2022 a struggle for the broader economy.

Conclusion: Is SNC-Lavalin stock still a buy right now?

Shares of SNC-Lavalin are still trading in attractive value territory relative to its industry peers. The company last announced a quarterly dividend of \$0.02 per share, representing a very modest 0.2% yield. SNC-Lavalin is far from my top stock pick on the TSX, but it has a good chance to carry its 2021 momentum into this new year.

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