



Why Aecon Stock Fell 11% on Wednesday

Description

Aecon Group ([TSX:ARE](#)) shares fell 11% on Wednesday after the company reported [weak](#) results for its fourth-quarter. Analysts quickly weighed in on the future of the infrastructure company, downgrading the shares.

What happened

Aecon reported revenue of \$4 billion for 2021, with a backlog of \$6.2 billion in projects at the end of the year. The company managed to also approve an increase to \$0.185 in its quarterly dividend, the tenth increase in the last 11 years.

But the positive news seems to stop there for Aecon stock. While there was strong [revenue](#) growth and a large backlog, adjusted EBITDA and operating profit both fell year over year. Net income came down by almost half to \$49.7 million from \$88 million the year before. Revenue came in at \$1.089 billion for the quarter, a 1% year-over-year increase, with adjusted EBITDA of \$61.3 million missing expectations near \$80 million. Adjusted earnings per share of \$0.19 completely missed estimates of around \$0.50.

So what

While the company remains positive, analysts believe Aecon stock will now “sector perform” rather than “outperform” within the industry. Omicron already affected the company, and while its Coastal GasLink project is underway, the completion isn’t likely to hit until 2023 and that’s a while to wait for investors. Furthermore, we’re now in the first quarter and given it’s construction, there really isn’t likely to be much major movement.

Analysts cut their targets for Aecon stock to around \$18 in early reporting, though the average remains around \$21 per share. Still, that sent shares down to \$15.80 as of writing.

Now what

There is some cautious optimism from analysts, but investors will have to wait to see strong performance from Aecon. There are lots of projects to look forward to, but supply chains, COVID-19 and other factors continue to affect revenue. Still, there should be some slow but steady [recovery](#) for those looking long-term for Aecon stock performance.

Shares were down 8% on Wednesday, trading at \$15.80 as of writing.

CATEGORY

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