



## Once Plagued by Scandal, Is SNC-Lavalin Stock a Buy Now?

### Description

**SNC-Lavalin** (TSX:[SNC](#)) was, for a brief moment, the most controversial company in Canada. In 2019, the global engineering and construction business was at the center of a major scandal involving corruption and bribery in Libya. Four years before, the company had been accused of bribing Libyan officials to secure contracts in the country. SNC-Lavalin was eventually charged by the RCMP. Then for a few years, matters were fairly quiet. But in 2019, the issue was thrust into the spotlight again, when Justin Trudeau's government was accused of taking campaign contributions to spare SNC-Lavalin the prosecution that was coming.

That was then, this is now.

In 2022, the SNC-Lavalin affair is well out of the public spotlight, and the company's reputation appears to have been rehabilitated. Additionally, its finances improved year-over-year in 2021 (though the most recent quarter was a dud). In this article I will explore SNC-Lavalin's activities in 2022, and attempt to determine whether its stock is a buy three years after its namesake scandal.

### A controversy overcome

Before we get into SNC-Lavalin's business performance, it helps to look at where we stand today regarding the allegations that triggered the SNC-Lavalin affair. There is no longer any "affair" to speak of, in the sense of a public controversy, but there are still legacy effects that are worth talking about.

The SNC-Lavalin affair ended when the company copped a plea deal for \$280 million. The amount was greater than the amounts of the bribes SNC-Lavalin was accused of taking, and prosecutors were happy with it. That was the end of the "affair." However, fraud and bribery concerns persist. Just recently, SNC-Lavalin paid out \$30 million to settle bribery charges stemming from a bridge construction project in Quebec. So, the SNC-Lavalin affair may be over, but its financial legacy lingers, costing the company real money.

## SNC-Lavalin's recent financial performance

Having looked at SNC-Lavalin's legal woes, we can now turn to its financial performance. In the most recent year, SNC delivered:

- \$7.2 billion in revenue, up 5.8%.
- \$194 million EBIT, up from a loss.
- \$672 million in net income, up from a loss.

Pretty decent growth. However, the EBIT margin was razor thin, so losses are very much possible with this company, which lost money in 2020. Additionally, note that the data above is for the 2021 fiscal year. The first 2022 quarter was a big loser, featuring a year-over-year decline in net income.

As for SNC's balance sheet, it appears to be in fairly good shape: The company has about \$9.8 billion in assets to \$6.8 billion in liabilities, giving \$3 billion in shareholder equity. With \$1.5 billion in long-term debt, the company's debt-to-equity ratio is 0.5, which is pretty healthy. So SNC-Lavalin is a solvent company that can ride out a crisis.

## Is the stock a buy today?

SNC-Lavalin stock is definitely in a better place now than it was three years ago. The company has put a major controversy behind it and returned to growing its earnings. However, the stock is fairly pricey right now, and SNC-Lavalin still has some corruption concerns surrounding it. On the whole, I think there are better places to put your money.

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