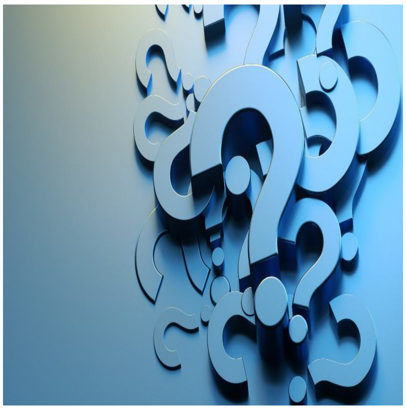

Stantec (TSX:STN) Stock: Is it Worth Buying Before June?

Description

Stantec (TSX:STN)(NYSE:STN) is an Edmonton-based company that provides engineering, architecture, and environmental consulting services in spaces like infrastructure and facilities in North America and around the world. Investors have been put in a tough spot, as volatility has reared its head in the spring of 2022. There is a good chance we will see more turbulence, as policymakers look to combat runaway inflation.

Today, I want to discuss whether this interesting stock is worth snatching up on the dip in this environment. Let's jump in.

How has Stantec performed in 2022?

This Canadian stock had fallen into a rough patch in the later winter of 2022. Stantec stock has dropped 20% in 2022 as of close on March 24. The stock is still up 2.9% in the year-over-year period.

This company offers exposure to a variety of sectors that include engineering, architecture, and the environmental space through its consulting services. Meanwhile, the management consulting market is geared up for strong growth in the years ahead. Market researcher Mordor Intelligence recently projected that the consulting service market will post a CAGR of 4.3% from 2021 through to 2026.

Should investors be encouraged by its recent quarterly report?

The company released its first-quarter 2022 results on May 11. There were many positives to glean from Stantec as it opened the new fiscal year. It reported net revenue of $171 million — up 19% from the previous year. That increase was powered by 6.4% organic growth and 13% acquisition net revenue growth. It posted growth in all segments.

Stantec delivered adjusted net income growth of 21% to $68.4 million while adjusted diluted earnings per share climbed 22% to $0.61. The company's bottom line was bolstered by recent acquisitions and a lower income tax expense. Stantec's Contract Backlog was reported at $5.4 billion as at March 31,

2022. This represented a new record for the company and organic growth of 6.8%. It continued to deliver organic backlog growth across its segments.

Adjusted EBITDA rose to $152 million in the first quarter of 2022 compared to $129 million in the previous year. Meanwhile, the company reaffirmed its guidance for the full year. Moreover, Stantec is in a good position to benefit from strengthening local supply chains across a variety of key sectors.

Is Stantec a buy in late May?

Shares of Stantec reached an all-time high of $73.10 in late 2021. Meanwhile, the stock currently possesses a price-to-earnings ratio of 32. That puts this Canadian stock in solid value territory compared to its industry peers. The stock last had an RSI of 44, as it has climbed out of technically oversold levels since the middle of May.

In its Q1 2022 report, Stantec's board of directors announced a quarterly dividend of $0.18 per share. That represents a modest 1.2% yield. This Canadian stock is well positioned for strong earnings growth in the quarters ahead. Better yet, it still offers nice value at the time of this writing. I'm looking to snatch up Stantec in late May.

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