



Why Shawcor (TSX:SCL) Stock Jumped 9% in September

Description

Shawcor (TSX:SCL) is a Toronto-based material sciences company that serves the infrastructure, energy, and transportation markets around the world. The stock rose 9% in the month of September. Meanwhile, its shares have [shot up 13% week over week](#) as of early afternoon trading on October 5. Today, I want to explore why Shawcor stock has recently built momentum. Is it worth buying into this frenzy? Let's dive in.

What is behind Shawcor's recent spike?

On September 12, Shawcor announced that it planned to change its name to Mattr. Moreover, it has set out to launch a review of strategic alternatives for its pipeline performance group, pipeline services, and [oilfield asset management](#) operating units. The company said that all options were on the table, including the sale of these key operating units. Investors should watch out for the name and ticker change in the first half of 2023.

This potential transformation has generated some enthusiasm for Shawcor in the near term. The stock is one of the few in the energy sector that failed to capitalize on the first half momentum in 2022. Fortunately, it has reversed course in the positive direction in the second half of the year.

Should investors be excited about the company's future?

Shawcor unveiled its second-quarter (Q2) fiscal 2022 earnings on August 11. It delivered total revenues of \$307 million — up marginally from \$305 million in the prior year. Meanwhile, gross profit fell to \$86.0 million compared to \$89.8 million in the second quarter of fiscal 2021. The company posted net earnings of \$20.3 million, or \$0.29 per share, in Q2 2022 compared to \$2.64 million, or \$0.07 per share, in the previous year.

EBITDA stands for earnings before interest, taxes, depreciation, and amortization. It is a popular measure of corporate profitability. In Q2 2022, Shawcor posted adjusted EBITDA of \$31.5 million, which beat expectations. It was bolstered by its Automotive and Industrial and Composite Systems

segments due to strong demand for higher margin wire and cabling products and composite pipe products. Regardless, adjusted EBITDA was still down 11% compared to the same period in 2021.

In the year-to-date period, Shawcor posted a slight decline in revenue to \$574 million and adjusted EBITDA of \$51.5 million. These middling results may have spurred its large-scale review that will hopefully lead to a big leap forward in the coming year. Meanwhile, the company said it expects much improved earnings in the second half of fiscal 2022. This should pique investor interest in this energy stock in the fall season.

Shawcor stock: Should you try to ride the wave?

Shares of Shawcor are still trading in [favourable territory](#) compared to its industry peers. As stated, its earnings are set to receive a big boost in the second half of this fiscal year. The stock has spiked over the past month, but it looks like it still has room to run in the final quarter of 2022. I'm looking to snatch up Shawcor, as it seeks to reinvent itself.

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