



Is SNC-Lavalin Group Inc. Worth its Bargain Price?

Description

It's always a good deal to pick up stocks at discounted valuations. However, sometimes the risks are simply too high to make such purchases worth it. Investors should always be cautious and not get blinded by too-good-to-be-true deals. For long-term investors, quality should always be the top priority.

The current performance of **SNC-Lavalin Group Inc.** (TSX:SNC) is causing some investors to wonder whether they should give in to the low valuations of the stock. Let's take a look at what's going on with SNC.

The bad

The biggest shadow hanging over the company right now is its past. In 2012, many of SNC's previous executives were ousted from the company due to allegations of fraud. These issues haunt the company to date. In fact, in late February 2015 the RCMP formally laid corruption and fraud charges against the company. On March 19, 2015 the courts had the preliminary hearing for seven of nine people charged in connection with fraud involving construction of the McGill MUHC hospital in Montreal.

SNC's credibility continues to hang on the line and many doubt the firm's ability to bid for government projects (which comprises the majority of SNC's business model).

Other problems include a weak earnings guidance for 2015 and downgrades from analysts. As a result, the company's share price has come full circle and is now trading at levels similar to when current CEO Robert Card joined the firm.

The good

Just last week, the firm announced it has been awarded a contract by a Dubai-based company to provide engineering, procurement, and construction management services. Work on this project has already begun and is expected to end by 2017. This shows that all is not lost in terms of SNC's credibility and ability to attract clients.

The company also posted good earnings for the fourth quarter, mainly due to its acquisition of Kentz

Corporation. Furthermore, it increased its dividend payable on April 1. Add to this list one of its biggest prized possession—the Highway 407. Management says this will be divestible sometime in 2015.

Another thing investors must remember is that although SNC's past ghosts will continue to haunt the company for the next few years, analysts don't believe this will impact the business negatively since the market seems to have already priced in the scandal.

So, is this weakness a good buying opportunity for investors or are the risks just too much?

The bottom line is that SNC is a great company that has proved it is truly trying to turn itself around. For seasoned investors who love to pick up a bargain, this may be one of the best bets to come along in a long time.

Of course, always remember that companies in the process of a turnaround always come with a lot of volatility. So, if you decide to take the plunge, make sure you have the stomach for it!

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:ATRL (SNC-Lavalin Group)

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