North American Construction Group (NOA)

Updated March 11th, 2025 by Samuel Smith

Key Metrics

Current Price:	$16.9	**5 Year CAGR Estimate:**	9.1%	**Market Cap:**	$455M
Fair Value Price:	$17.4	**5 Year Growth Estimate:**	6.6%	**Ex-Dividend Date:**	3/13/25
% Fair Value:	97%	**5 Year Valuation Multiple Estimate:**	0.6%	**Dividend Payment Date:**	4/9/25
Dividend Yield:	2.0%	**5 Year Price Target**	$24	**Years Of Dividend Growth:**	8
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

North American Construction Group Ltd. (NYSE: NOA), established in 1953, is a premier provider of mining and heavy civil construction services across Canada, the United States, and Australia. Headquartered in Acheson, Alberta, the company specializes in various sectors, including oil sands mining, industrial construction, and resource development. With over 70 years of experience, NACG operates one of the largest independently owned equipment fleets in the industry, enabling them to undertake large-scale earthworks projects efficiently. Their comprehensive services range from site development and overburden removal to reclamation and mine management.

In the third quarter of 2024, North American Construction Group Ltd. (NOA) reported robust financial and operational performance. The company achieved a combined revenue of $367.2 million, a notable increase from $274.8 million in the same period the previous year. This growth was primarily driven by the strong performance of the MacKellar Group's Australian operations, which NOA acquired on October 1, 2023. The MacKellar Group reported an 84% equipment utilization rate, contributing significantly to the quarterly results.

NOA's Adjusted EBITDA rose to $106.4 million with a 29.0% margin, up from $59.4 million and a 21.6% margin in the third quarter of 2023. The company's gross profit margin improved to 22%, indicating enhanced operational efficiency. Reflecting its commitment to shareholder value, NOA's Board declared a 20% increase in the quarterly dividend, raising it to $0.12 per share.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	-$0.14	-$0.01	$0.14	$0.41	$1.30	$1.36	$1.62	$1.80	$2.10	$2.26	***$2.90***	***$4.00***
DPS	$0.00	$0.00	$0.06	$0.06	$0.09	$0.13	$0.13	$0.24	$0.30	$0.29	***$0.34***	***$0.50***
Shares	31.9	28.3	25.5	25.0	25.9	28.8	28.5	26.4	26.7	26.8	***26.8***	***28.0***

North American Construction Group is set for strong growth over the next five years, with earnings per share expected to rise from $2.90 to $4.00, driven by expanding heavy construction and mining services, increased project demand, and operational efficiencies. Dividends per share are projected to grow from $0.34 to $0.50, reflecting confidence in cash flow strength. NOA’s strategic equipment investments, contract wins, and cost management efforts should enhance profitability. While commodity price volatility and labor costs present risks, the company’s solid backlog, diverse client base, and disciplined capital allocation position it for sustainable earnings and shareholder returns.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	NA	NA	38.1	15.7	5.5	4.2	5.1	5.3	4.8	5.0	***5.8***	***6.0***
Avg. Yld.	0.0%	0.0%	1.1%	0.9%	1.3%	2.3%	1.6%	2.5%	3.0%	2.6%	***2.0%***	***2.1%***

North American Construction Group (NOA) is currently trading at a P/E ratio of 5.8, slightly above its recent historical range but still below the 10-year historical average of 6.0. Over the past several years, NOA has consistently traded at low valuation multiples, reflecting its exposure to cyclical industries such as energy and heavy construction. While its

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valuation is low compared to broader market averages, it is largely in line with historical trends for the company and its sector. The dividend yield of 2.0% is lower than recent years but still provides a moderate level of income for investors. Looking ahead, the valuation multiple could expand if NOA demonstrates consistent earnings growth and benefits from an improved macroeconomic environment, potentially moving toward 6.0-7.0 over the next five years. However, if economic uncertainty persists or energy prices weaken, the multiple may stay near its current levels of 5.0-6.0. Given NOA's strong operational performance and ongoing infrastructure investments, a reasonable five-year expected P/E range would be 5.5-7.0 under stable conditions, with potential upside if investor sentiment toward the energy and heavy equipment sectors improves.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	0%	0%	43%	15%	7%	10%	8%	13%	14%	13%	***12%***	***13%***

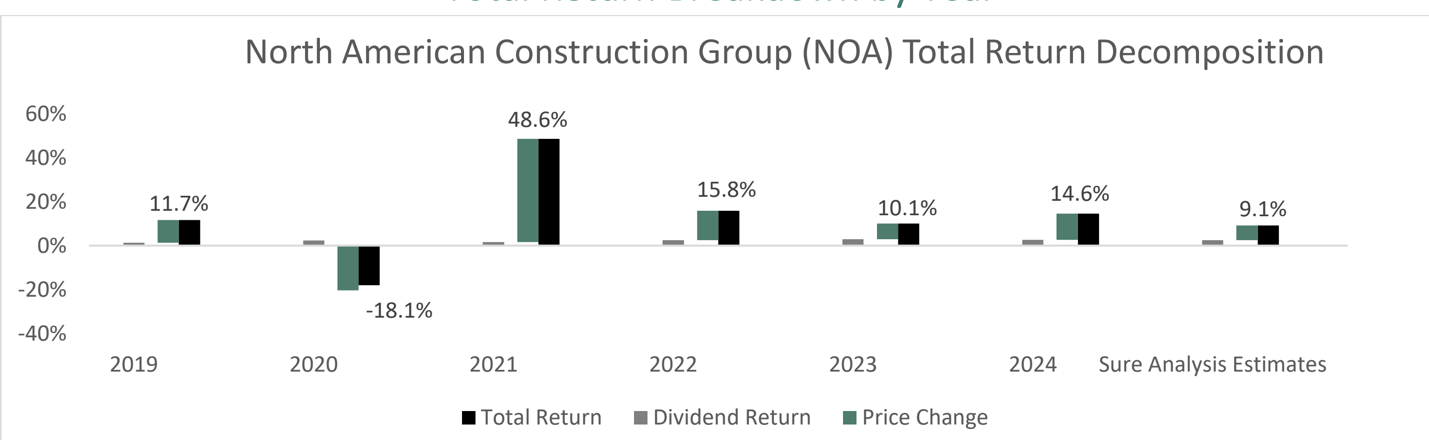
NOA's competitive advantage lies in its specialization in heavy equipment services for the energy, mining, and construction sectors, particularly in Canada's oil sands region. The company benefits from long-term contracts with major energy producers, an extensive fleet of high-quality equipment, and operational expertise that provides efficiencies in large-scale projects. Its diversification into broader industrial and infrastructure projects in recent years has helped mitigate some of the volatility associated with the oil and gas sector. During the Great Recession (2008-2009), NOA experienced significant financial stress, given its reliance on oil sands development, which saw capital expenditure reductions. However, the company has since diversified its revenue streams to include other industries such as mining and infrastructure, making it more resilient to energy price fluctuations. The low oil price period (2014-2016) was another difficult period for NOA, as capital spending in the oil industry declined sharply.

NOA has moderate leverage, with debt levels that are manageable given its strong cash flow generation. The company has maintained a solid interest coverage ratio, ensuring that it can service its debt obligations without excessive risk. While leverage is higher than some industrial peers, it is appropriate for a capital-intensive business with long-term contracts and a steady revenue stream. NOA has historically maintained a low payout ratio, currently at 12%. This suggests ample room for dividend growth, as the company is retaining most of its earnings for reinvestment in operations and debt reduction. The payout ratio has fluctuated based on earnings volatility, but overall, it has remained conservative, allowing NOA to sustain and grow dividends without excessive strain on cash flows.

Final Thoughts & Recommendation

Between its 2% dividend yield, 6.6% expected five-year EPS CAGR, and 0.6% expected five-year valuation multiple CAGR, we project a 9.1% annualized total return for NOA over the next half-decade, making it a Hold at the moment.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	427	220	161	226	316	542	372	522	591	709
Gross Profit	47	25	24	31	53	73	69	72	78	114
Gross Margin	10.9%	11.3%	15.2%	13.6%	16.8%	13.4%	18.5%	13.8%	13.2%	16.1%
SG&A Exp.	30	21	21	20	30	28	18	28	23	42
D&A Exp.	42	33	32	35	45	77	66	86	92	97
Operating Profit	13	3	3	10	23	44	51	44	55	72
Operating Margin	3.0%	1.3%	1.6%	4.6%	7.3%	8.2%	13.6%	8.4%	9.3%	10.2%
Net Profit	(1)	(6)	(0)	4	12	28	37	41	52	47
Net Margin	-0.2%	-2.7%	-0.2%	1.8%	3.7%	5.1%	9.9%	7.9%	8.8%	6.6%
Free Cash Flow	5	34	9	(3)	(95)	0	22	41	41	50
Income Tax	(0)	(0)	(0)	1	5	2	8	7	13	17

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	393	260	260	305	506	607	658	682	722	1,166
Cash & Equivalents	1	23	10	7	14	4	34	13	51	67
Accounts Receivable	47	17	29	36	57	40	25	50	54	62
Inventories	6	2	3	4	10	17	15	35	37	49
Goodwill & Int. Ass.	4	2	1	1			0	3	5	6
Total Liabilities	230	136	142	189	396	469	463	463	496	897
Accounts Payable	50	18	22	28	47	68	32	60	76	110
Long-Term Debt	55	35	29	56	217	254	280	255	310	531
Shareholder’s Equity	163	124	118	116	110	138	195	218	225	269
D/E Ratio	0.34	0.28	0.25	0.48	1.98	1.84	1.44	1.17	1.37	1.97

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	-0.3%	-1.8%	-0.1%	1.4%	2.9%	5.0%	5.8%	6.1%	7.4%	5.0%
Return on Equity	-0.6%	-4.1%	-0.3%	3.5%	10.4%	22.4%	22.1%	19.8%	23.3%	18.9%
ROIC	-0.5%	-3.1%	-0.2%	2.5%	4.7%	7.7%	8.5%	8.6%	10.3%	7.0%
Shares Out.	31.9	28.3	25.5	25.0	25.9	28.8	28.5	26.4	26.7	26.8
Revenue/Share	12.20	6.73	5.37	7.62	10.07	16.50	11.52	15.37	17.39	21.46
FCF/Share	0.13	1.05	0.31	(0.11)	(3.03)	0.01	0.67	1.21	1.22	1.50

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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