



Stantec Inc. (STN)

Updated March 5th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$83	5 Year CAGR Estimate:	13.6%	Market Cap:	\$9.35 B
Fair Value Price:	\$91	5 Year Growth Estimate:	11.0%	Ex-Dividend Date:	03/28/2025
% Fair Value:	91%	5 Year Valuation Multiple Estimate:	1.8%	Dividend Payment Date:	04/15/2025
Dividend Yield:	0.8%	5 Year Price Target	\$153	Years Of Dividend Growth:	13 ¹
Dividend Risk Score:	C	Retirement Suitability Score:	F	Rating:	Buy

Overview & Current Events

Stantec Inc. provides professional consulting services in the field of infrastructure and facilities internationally. This includes services in engineering, architecture, interior design, environmental sciences, project management, and project economics. The company also undertakes water provision, transportation, and public works such as transportation planning and traffic engineering. Finally, it serves the urban regeneration, infrastructure, education, and waste industries. Stantec generated \$4.1 billion in revenues last year and is based in Edmonton, Canada. All figures in this report have been converted to U.S. dollars.

On February 24th, 2025, Stantec reported its Q4 and full-year 2024 results. For Q4 2024, net revenues came in at \$1.11 billion, up 19.0% year-over-year due to 9.3% organic growth and 7.6% acquisition-driven growth. Adjusted net income increased by 38.1% to about \$94.7 million USD, despite a 30-bps decline in project margins to 55.0%. On a per-share basis, adjusted net income was \$0.83 USD, up 35.4% year-over-year.

Stantec's contract backlog increased to \$5.87 billion USD, up 24.1% year-over-year, equating to about 13 months of work. The company continues to see strong demand for its services, supported by record backlog growth, solid project execution, and complementary acquisitions throughout 2024.

For FY2025, management introduced their guidance, expecting net revenue growth between 7% and 10% and adjusted EPS growth between 16% and 19% in comparison to FY2024. Thus, we estimate FY2025 adjusted EPS of \$3.64, which is derived from: FY2024 adjusted EPS of C\$4.42 times 1.175 (midpoint of guidance) times the exchange rate of 0.70 (CAD/USD). Note that all figures in the table below reflect GAAP EPS. We are utilizing adjusted EPS to estimate the company's total return prospects.

On February 25th, 2025, Stantec raised its dividend by 7.1% to a quarterly rate of C\$0.225. At the current CAD/USD rate, Stantec's annualized dividend rate of C\$0.90 translates to \$0.63.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.20	\$0.91	\$0.68	\$0.31	\$1.34	\$1.21	\$1.43	\$1.64	\$2.15	\$2.20	\$3.64	\$6.13
DPS	\$0.30	\$0.34	\$0.40	\$0.40	\$0.45	\$0.49	\$0.52	\$0.53	\$0.59	\$0.58	\$0.63	\$0.84
Shares²	94.1	107	114	113.7	111.6	111.6	111.2	110.9	111.2	114.1	114.1	105.0

Stantec has been growing its revenues consistently over the past two decades, riding the wave of increased spending in infrastructure, net zero-designed buildings, and green energy. EPS lagged from 2015 to 2019, as the company took advantage of its increased operating cash flows to acquire other companies and reinvest back into its business. With scaling, EPS has also started to accelerate over the past few years, and it should continue to do so as the company's margins undergo an expansion phase. We expect an EPS medium-term growth of 11%, powered by the global trend of increased spending in green energy, smart cities, ecosystem restorations, and clean infrastructure. The company has grown its dividend annually in its original CAD reporting since initiating one in 2012. However, in its NYSE listing,

¹ Based on the original Canadian listing.

² Share count is in millions.

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dividend growth has lagged due to the Canadian dollar's prolonged depreciation against the USD. This applies to the company's EPS performance as well. We expect DPS growth of around 6% in the medium-term, lower than Stantec's latest DPS hike, assuming the company retains sufficient cash to reinvest towards its future prosperity.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	29.2	35.2	50.9	103.2	23.1	32.2	33.5	28.7	25.6	35.4	22.8	25.0
Avg. Yld.	0.9%	1.1%	1.2%	1.3%	1.5%	1.3%	1.0%	1.1%	1.0%	0.7%	0.8%	0.6%

Stantec's P/E ratio has fluctuated wildly over the past decade due to volatile EPS for the reasons mentioned earlier. Note that all historical P/E figures relate to the company's GAAP metrics, which are usually affected by one-off events. Still, the stock's current valuation of 22.8 times the expected FY2025 adjusted EPS undervalues the name. Given Stantec's robust backlog, which provides predictability, and global infrastructure spending remaining robust, we have now set our fair multiple at 25 times, despite rates remaining high. The yield remains soft despite Stantec's dividend growth.

Safety, Quality, Competitive Advantage, & Recession Resiliency

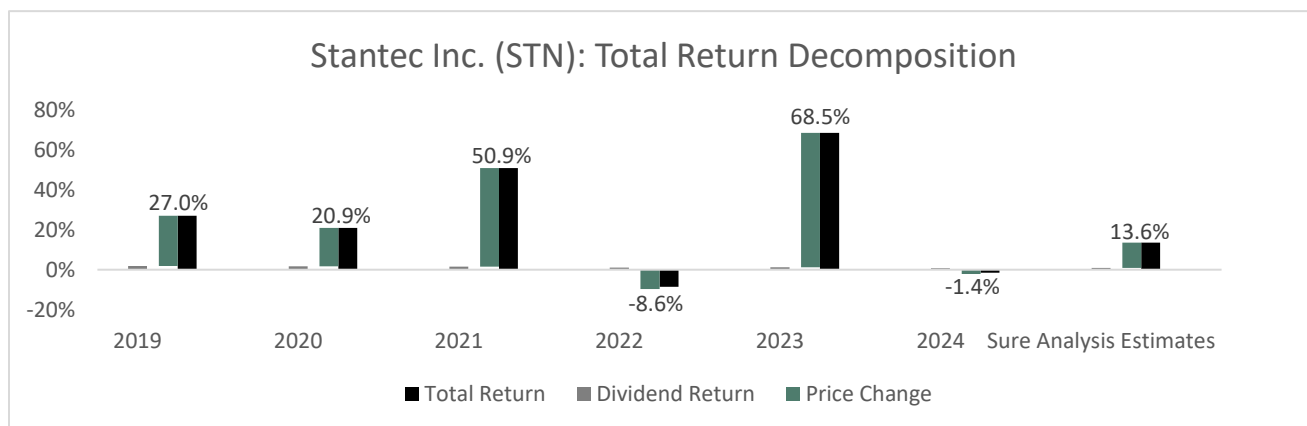
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	25%	37%	59%	129%	34%	40%	36%	32%	27%	26%	17%	14%

We consider Stantec's dividend very safe. Not only is the payout ratio quite healthy, but EPS is growing at a faster rate than DPS. Further, the company reports high depreciation and amortization levels. Hence, the dividend is covered by an even wider margin from cash from operations. Additionally, Stantec showcases great operational qualities, such as its year-long worth of revenues of backlog, which should be able to sustain a stable performance if demand for its services faces temporary headwinds. We can't identify and particular competitive advantages, though the company's massively wide array of services could make it a more desirable option for future clients against its competitors, which operate in smaller, fragmented markets. Due to having a strong backlog and due to infrastructure and water revenues being secured under long-term contracts, we believe that financials will remain resilient under a potential recession, as was the case during the Great Financials Crisis. Financials remained excellent during the COVID-19 pandemic as well.

Final Thoughts & Recommendation

Stantec exhibits an extended record of excellent shareholder value creation. The company is operating in an industry with favorable growth catalysts ahead, which should result in higher financials and a solid backlog going forward. We forecast annualized returns of 13.6% in the medium-term. Accordingly, Stantec earns a buy rating. American investors should be wary of the FX fluctuations between the USD and CAD, which could sway returns either way.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	2,292	2,254	3,247	3,109	3,306	3,637	3,530	3,651	4,364	4,799
Gross Profit	1,031	1,013	1,266	1,359	1,401	1,513	1,441	1,566	1,858	2,033
Gross Margin	45.0%	44.9%	39.0%	43.7%	42.4%	41.6%	40.8%	42.9%	42.6%	42.4%
SG&A Exp.	766	775	1,008	1,086	1,110	1,080	1,010	1,135	1,339	1,441
D&A Exp.	57	66	96	---	---	---	---	177	218	210
Operating Profit	208	173	162	177	202	252	260	254	301	382
Operating Margin	9.1%	7.7%	5.0%	5.7%	6.1%	6.9%	7.4%	7.0%	6.9%	8.0%
Net Profit	149	123	99	75	37	146	128	160	190	245
Net Margin	6.5%	5.4%	3.0%	2.4%	1.1%	4.0%	3.6%	4.4%	4.4%	5.1%
Free Cash Flow	146	128	166	154	---	---	---	276	176	329
Income Tax	53	43	38	128	42	54	43	50	60	71

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,688	1,688	3,178	3,088	2,944	3,492	3,442	4,099	4,165	4,581
Cash & Equivalents	132	49	156	190	130	171	224	152	109	266
Accounts Receivable	362	403	549	594	569	603	551	618	728	766
Goodwill & Int. Ass.	739	796	1,689	1,447	1,372	1,433	1,455	2,006	1,965	1,997
Total Liabilities	752	734	1,712	1,578	1,543	2,055	1,929	2,529	2,480	2,503
Accounts Payable	90	89	270	292	163	173	171	167	221	265
Long-Term Debt	266	263	757	588	686	674	538	982	959	869
Shareholder's Equity	936	954	1,465	1,508	1,400	1,436	1,512	1,570	1,684	2,078
LTD/E Ratio	0.28	0.28	0.52	0.39	0.49	0.47	0.36	0.63	0.57	0.42

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	9.2%	7.3%	4.1%	2.4%	1.2%	4.6%	3.7%	4.3%	4.6%	5.6%
Return on Equity	16.8%	13.0%	8.1%	5.0%	2.5%	10.3%	8.7%	10.4%	11.7%	13.0%
ROIC	13.2%	10.1%	5.7%	3.5%	1.7%	7.0%	6.1%	7.0%	7.3%	8.8%
Shares Out.	93.5	94.1	107	114	113.7	111.6	111.6	111.6	111.1	111.2
Revenue/Share	24.29	23.83	30.25	27.18	29.04	32.61	31.54	32.71	39.29	43.14
FCF/Share	1.55	1.36	1.55	1.35	---	---	---	2.48	1.59	2.96

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

Disclaimer

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