North American Construction Group (NOA)

Updated August 18th, 2025 by Samuel Smith

Key Metrics

Current Price:	$12.4	**5 Year CAGR Estimate:**	13.3%	**Market Cap:**	$367 M
Fair Value Price:	$8.6	**5 Year Growth Estimate:**	19.6%	**Ex-Dividend Date:**	8/29/25
% Fair Value:	145%	**5 Year Valuation Multiple Estimate:**	-7.1%	**Dividend Payment Date:**	10/3/25
Dividend Yield:	2.8%	**5 Year Price Target**	$21	**Years Of Dividend Growth:**	8
Dividend Risk Score:	B	**Sector:**	Industrials	**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.

On July 30, 2025, North American Construction Group reported results for the second quarter ended June 30, 2025, reflecting strong revenue growth and continued expansion of its heavy construction services. The company generated revenue of 329.6 million Canadian dollars, up 19% from 277.2 million in the same quarter of 2024, driven by higher demand in both mining and construction operations. Net income available to shareholders was 32.8 million Canadian dollars, or $1.10 per diluted share, compared with 25.4 million, or $0.84 per share, a year earlier. Adjusted EBITDA totaled 104.7 million Canadian dollars, an increase from 87.2 million in the prior year, with margins benefiting from improved fleet utilization and efficiency gains across projects. The company reported backlog of secured work at 2.7 billion Canadian dollars, providing strong revenue visibility for the remainder of 2025 and beyond. Cash flow from operating activities for the first half of the year was 124.5 million Canadian dollars, while capital expenditures totaled 92.3 million, reflecting ongoing investment in fleet upgrades and maintenance. Net debt at quarter-end stood at 713.8 million Canadian dollars, resulting in a net debt-to-EBITDA ratio of 1.9 times, consistent with management's leverage targets. Management reaffirmed its full-year 2025 guidance, projecting revenue growth of 12% to 15% and adjusted EBITDA in the range of 415 to 440 million Canadian dollars.

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	$2.60	***$1.43***	***$3.50***
DPS	$0.00	$0.00	$0.06	$0.06	$0.09	$0.13	$0.13	$0.24	$0.24	$0.31	***$0.35***	***$0.50***
Shares	31.9	28.3	25.5	25.0	25.9	28.8	28.5	26.4	26.7	28.7	***29.3***	***28.0***

North American Construction Group is set for growth over the next five years, with earnings per share expected to rise 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 $0.35 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	4.4	***8.7***	***6.0***
Avg. Yld.	0.0%	0.0%	1.1%	0.9%	1.3%	2.3%	1.6%	2.5%	2.4%	2.7%	***2.8%***	***2.4%***

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North American Construction Group (NOA) is currently trading at a P/E ratio of 8.7, well above its recent historical range and its 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 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 2.8% is higher than recent years and provides a strong 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

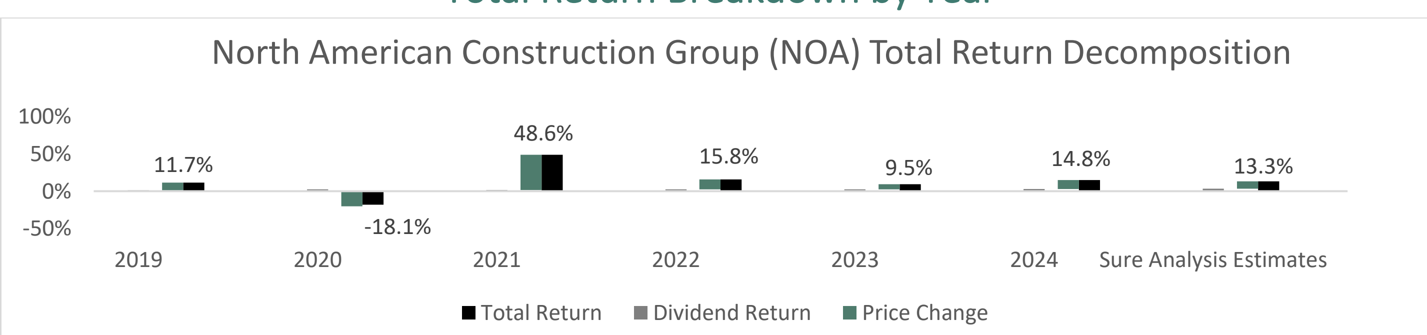
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	0%	0%	43%	15%	7%	10%	8%	13%	11%	12%	***24%***	***14%***

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 9%. 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 2.8% dividend yield, 19.6% expected five-year EPS CAGR, and -7.1% expected five-year valuation multiple CAGR, we project a 13.3% annualized total return for NOA over the next half-decade, making it a Hold at the moment.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	220	161	226	316	542	372	522	591	714	850
Gross Profit	25	24	31	53	73	69	72	78	115	153
Gross Margin	11.3%	15.2%	13.6%	16.8%	13.4%	18.5%	13.8%	13.2%	16.1%	18.0%
SG&A Exp.	21	21	20	30	28	18	28	23	42	41
D&A Exp.	33	32	35	45	77	66	86	92	97	122
Operating Profit	3	3	10	23	44	51	44	55	73	112
Operating Margin	1.3%	1.6%	4.6%	7.3%	8.2%	13.6%	8.4%	9.3%	10.2%	13.2%
Net Profit	(6)	(0)	4	12	28	37	41	52	47	32
Net Margin	-2.7%	-0.2%	1.8%	3.7%	5.1%	9.9%	7.9%	8.8%	6.5%	3.8%
Free Cash Flow	34	9	(3)	(95)	0	22	41	41	55	(49)
Income Tax	(0)	(0)	1	5	2	8	7	13	17	12

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	260	260	305	506	607	658	682	722	1,166	1,181
Cash & Equivalents	23	10	7	14	4	34	13	51	67	54
Accounts Receivable	17	29	36	57	40	25	50	54	62	98
Inventories	2	3	4	10	17	15	35	37	49	52
Goodwill & Int. Ass.	2	1	1			0	3	5	6	7
Total Liabilities	136	142	189	396	469	463	463	496	897	910
Accounts Payable	18	22	28	47	68	32	60	76	110	77
Long-Term Debt	35	29	56	217	254	280	255	310	531	566
Shareholder's Equity	124	118	116	110	138	195	218	225	269	271
D/E Ratio	0.28	0.25	0.48	1.98	1.84	1.44	1.17	1.37	1.97	2.09

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-1.8%	-0.1%	1.4%	2.9%	5.0%	5.8%	6.1%	7.4%	5.0%	2.7%
Return on Equity	-4.1%	-0.3%	3.5%	10.4%	22.4%	22.1%	19.8%	23.3%	18.9%	11.9%
ROIC	-3.1%	-0.2%	2.5%	4.7%	7.7%	8.5%	8.6%	10.3%	7.0%	3.9%
Shares Out.	31.9	28.3	25.5	25.0	25.9	28.8	28.5	26.4	26.7	28.7
Revenue/Share	6.73	5.37	7.62	10.07	16.50	11.52	15.37	17.39	21.63	25.73
FCF/Share	1.05	0.31	(0.11)	(3.03)	0.01	0.67	1.21	1.22	1.67	(1.47)

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