



Why Was Badger Daylighting Ltd. up Over 25% on Friday?

Description

Badger Daylighting Ltd. (TSX:BAD) has a one-year return of -33%. With the latest quarterly results, investors are being shown that this is a high-quality company with good prospects ahead of it.

Badger Daylighting has been negatively affected by its exposure to the oil and gas sector, which represents roughly 50% of total revenues. But in my opinion, this is a buying opportunity, as the company's hydrovac excavation services are in demand not only by the oil and gas industry, but also by petro-chemical plants, power plants, and other large industrial facilities in North America.

The company has consistently generated high returns on equity that hover between the high teens and 20%. It also has a strong balance sheet and is trading at roughly 20 times trailing earnings.

This is a high-margin business, and it is telling that even when their energy segment is facing weakness, the company has still achieved operating margins of 22% in the latest quarter (third quarter), net margins of 21.7%, and EPS that increased 7%. The company has engaged in cost cutting and streamlining operations; for example, it retired 30 trucks this year and expects to retire five more in the fourth quarter. And the building of new Badger units is at a low level of one to three per week.

The company has focused on the areas of the business that are not affected by the oil and gas environment. There is strong growth in the U.S. business, as evidenced by the fact that revenue increased 10.1% on a constant currency basis.

The business is also a good cash flow generator. In the third quarter of 2015, the company reported cash flow from operations, excluding working capital, of \$20.8 million, a decline of 32% versus the same quarter last year. But the key is that the company is still generating cash flow. And even better, we can see that free cash flow is still positive at \$14.9 million versus \$9 million last year. Again, this is at a time when half of the company's business is experiencing rough times.

The balance sheet looks quite respectable, too. The debt-to-equity ratio is 40% as the company has paid down a significant amount of debt in the last nine months; that's a \$37.4 million debt payment, to be precise. And with roughly \$6 million sitting in cash and the positive free cash flow that the company is generating, things are looking good.

Going forward, Badger will continue to focus on growing U.S. revenues, and management sees good opportunities in the non-oil- and non-gas-producing regions.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BDGI (Badger Infrastructure Solutions Ltd.)

Category

1. Investing

Date

2025/08/26

Date Created

2015/11/16

Author

karenjennifer

default watermark

default watermark