



Badger Daylighting Ltd. and Canadian Tire Corporation Limited Are Trading at 52-Week Highs: Time to Sell?

Description

When stocks rise significantly in a short period of time, investors must re-evaluate their investments; sometimes stocks get ahead of themselves, and the risk/reward relationship gets out of whack for that very reason. Let's evaluate two companies that have seen their stock prices rise to 52-week highs.

Badger Daylighting Ltd. (TSX:BAD)

In 2016, non-oil and gas revenue increased 21%, while oil and gas revenue decreased a whopping 34%. Importantly, revenues from non-oil and gas accounted for 75% of total revenue versus 45% in 2013. The stock has reacted very favourably to this fact and has increased 61% in the last year, driving valuations up to P/E multiples of over 44 times. Nevertheless, revenue growth has been flat recently.

While I believe that the company deserves a premium valuation, this valuation is beginning to look excessive.

A caveat to this, however, is that if, in fact, the oil and gas sector recovers in any meaningful way any time soon, the company's earnings will rise very quickly and work to bring the multiple down without a meaningful decrease in the stock price.

Badger Daylighting is a well-run company with a history of high margins and strong returns on equity. At this point, it represents a good diversified play in the industrial sector as it offers services for a broad range of infrastructure-related industries, including the oil and gas industry, petro-chemical plants, power plants and other large industrial facilities in North America.

While I believe that the stock is vulnerable due to its high valuation, I also believe that it is a great long-term holding.

Canadian Tire Corporation Limited ([TSX:CTC.A](#))

Successful retailers are making it in an environment where others are forced into bankruptcy and struggling with mounting losses. **Target Corporation** left Canada a couple of years back, and now **Sears Canada Inc.**

seems to be on its way out; losses have continued to mount, and the company expects an awful fourth quarter 2016. Canadian Tire is surviving and thriving in this environment, and this says a lot about the company and its prospects going forward.

The competitive environment for Canadian Tire has improved due to the fact that store closures have removed competitors and left the remaining retailers capturing a larger share of consumers' dollars, including Canadian Tire.

The company's same-store-sales growth has been exceptional, and the latest quarter (the fourth quarter of 2016) was no exception.

Same-store sales at the Canadian Tire banner stores increased a very healthy 8.1%. Same-store sales at Mark's Work Warehouse increased 10.6%. And same-store sales at FGL Sports increased 5.1%. In addition, Canadian Tire has grown its EPS from \$7.02 per share in 2013 to \$9.22 in 2016. In 2016, EPS increased 11.3%, and based on consensus expectations, 2017 EPS will increase 9.5%.

It is worth noting that the company has beat expectations in all of the last four quarters. The stock has a one-year return of 22% and trades at a P/E ratio of 17.4 times. I think the company still has good upside.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BDGI (Badger Infrastructure Solutions Ltd.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Date

2025/08/26

Date Created

2017/04/07

Author

karenjennifer

default watermark