



Why Badger Daylighting Ltd. Soared 14.8% on Monday

Description

Badger Daylighting Ltd. (TSX:BAD), North America's leading provider of non-destructive hydrovac excavation services, released its second-quarter earnings results and announced a dividend increase before the market opened on Monday, and its stock responded by soaring 14.8% in the day's trading session. The stock still sits more than 16% below its 52-week high of \$36.22 reached back in April, so let's take a closer look at the quarterly results, the dividend increase, and the company's outlook going forward to determine if we should consider initiating long-term positions today.

A very strong quarter of double-digit growth

Here's a quick breakdown of 10 of the most notable financial statistics from Badger's three-month period ended on June 30, 2017, compared with the same period in 2016:

Metric	Q2 2017	Q2 2016	Change
Hydrovac service revenue	\$113.46 million	\$83.74 million	35.5%
Other service revenue	\$9.61 million	\$8.02 million	19.9%
Truck placement revenue	\$282,000	\$223,000	26.5%
Total revenue	\$123.35 million	\$91.98 million	34.1%
Adjusted EBITDA	\$32.10 million	\$23.22 million	38.2%
Adjusted EBITDA margin	26%	25.2%	80 basis points
Net profit	\$14.72 million	\$5.95 million	147.3%
Net profit per share (EPS)	\$0.40	\$0.16	150%
Revenue per truck per month – quarterly average	\$29,141	\$23,038	26.5%

Cash flow from operating activities before changes in working capital adjustments	\$31.67 million	\$23.14 million	36.9%
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Dividend hike? Yes, please!

In the press release, Badger announced a 15.2% increase to its monthly dividend to \$0.038 per share, and this increase is effective for its August dividend, which is payable in September.

Badger's outlook on the rest of the year and 2018

Badger also provided positive outlook on the rest of 2017 and 2018. Here's an important quote from the press release:

"Badger anticipates that this positive momentum from the second quarter will continue into the second half of 2017. The overall macro-economic environment in both Canada and the U.S. appear to be supportive of ongoing infrastructure, construction, and oil and gas activity levels for the second half of 2017 and into 2018. In addition to increased levels of activity, we continue to see positive momentum as a result of increased customer usage of Hydrovac for non-destructive excavation."

What should investors do now?

It was an outstanding quarter overall for Badger, and it capped off a very strong first half of the year for the company, in which its revenue increased 25% to \$225.16 million, its adjusted EBITDA increased 21.4% to \$51.96 million, and its EPS increased 92.3% to \$0.50. Its second-quarter results also crushed the consensus estimates of analysts polled by **Thomson Reuters**, which called for EPS of \$0.21 on revenue of \$104.75 million.

With its very strong financial performance, its second dividend increase in two years, and its positive outlook on 2017 and 2018 in mind, I think the market responded correctly by sending its stock soaring. I also think it could continue higher from here as investors continue to pile into stocks that will benefit from increased infrastructure spending, and because it still trades at attractive forward valuations, including just 21.6 times fiscal 2018's estimated EPS of \$1.40.

With all of the information provided above in mind, I think Foolish investors should consider initiating positions in Badger Daylighting today with the intention of adding to those positions on any pullback in the near future.

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