



Badger Daylighting Ltd. Is Showing Signs of Improvement: Is it a Safe Buy?

Description

Badger Daylighting Ltd. (TSX:BAD) shares are up ~12% over the past month, as investors begin to forget about the numerous claims made by the infamous short seller Marc Cohodes. His claims caused shares to nosedive nearly 40% from peak to trough earlier in the year. Although Cohodes has an impressive track record of shorts, many of his recent short attacks haven't been as successful as those in the past, so investors should [do their homework](#) to see if Cohodes's claims are worthy of taking any action.

The business

For those who are unfamiliar with Badger Daylighting, it's an operator of hydro-vac trucks, which provide mobile, non-destructive excavation. In other words, the company owns and operates a fleet of trucks which are capable of using pressurized water to dig holes to expose underground assets such as pipes, electrical lines, or other forms of buried infrastructure.

This non-destructive, environmentally friendly excavation method is reportedly faster, safer, and cheaper than traditional excavation methods. Badger was one of the first companies to equip trucks with this kind of technology; however, competition has begun to create similar trucks of its own, so there's no real durable competitive advantage, as many would expect with such an innovative form of new tech.

The opportunity

Earlier in the year, before Cohodes disclosed his short position, I noted that Badger had a very interesting business that would enjoy long-term catalysts, including a rise in U.S. infrastructure spending; however, I also emphasized that shares were [overvalued, despite being underrated](#), and that a drop would likely occur in the latter part of the year.

The problem

Marc Cohodes pointed out Badger's overvaluation in addition to its questionable accounting practices, lack of a moat, deteriorating fundamentals, and recent management churn, all of which were causes

for concern, but they're not of the same magnitude as some of his previous shorts, such as **Concordia International Corp.**, which was an overleveraged disaster whose bankruptcy was imminent.

Many of the issues mentioned in Cohodes's short report about Badger were issues that the general public probably knew already; however, the allegations of shady accounting practices, I believe, was the main reason shares of Badger took such a nasty plunge. It's important to note that nothing fraudulent has been proven with regards to Badger's accounting, but still, many skeptics are criticizing Badger for using such an aggressive revenue-recognition approach.

Bottom line

Badger has shown signs of improvement in recent quarters; however, many skeptics don't believe Badger's financials can be relied on, since \$9 million in revenues has been recorded without as much as an invoice or a receipt.

Although on the surface, it may appear Badger is climbing out of the hole that Cohodes threw it in, the company's aggressive revenue-recognition policy may be misleading to investors. For that reason, I'm going to wait on the sidelines.

Stay smart. Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/26

Date Created

2017/11/10

Author

joefrenette

default watermark