



Badger Daylighting Ltd. Soars 14% on Stronger-Than-Expected Results and an 18% Dividend Hike

Description

In my article on Tuesday, I'd discussed **Badger Daylighting Ltd.** (TSX:BAD) and the fact that I believe it is undervalued given the strong fundamentals of its business.

Well, the company reported after the close that day, and the results were top notch and further confirm my thesis on the stock and maybe work to dispel the notion that certain short sellers have that this stock is going down.

In fact, the company has become so determined to fight its case that it has hired outside help to review all [short seller allegations](#), and they have concluded that they are baseless.

Now the focus shifts to combating the pressure that the stock continues to face from all this by going on the offensive against the short sellers. Stay tuned.

Back to the business of Badger. Here are the key takeaways from the quarter.

Strong revenue growth

Revenue increased 20% in the quarter and 24% for the full year.

The company is seeing strength in all its markets and big improvements in its oil and gas segment, as the energy space continues to recover.

The EBITDA margin recovered somewhat to 26% compared to 25.6% last year. The company continues to target EBITDA margins of 28-29%. Cash flow per share increased 19.2% to \$1.14.

Fleet optimization

Fourth-quarter revenue per truck was \$31,300 versus \$27,023 last year, up 15.8%. For the year, revenue per truck increased 21.2%.

Management expects this number to increase further going forward, further driving profitability.

Shareholder value

The company increased its dividend by 18% off of these results and the bullish outlook for 2018.

Furthermore, the company announced a share buyback program whereby it will buy back up to 5.4% of the float.

The balance sheet is in good shape, with manageable debt, and this coupled with the company's strong cash flow generation will enable the company to fund growth plans.

Valuation

Even after the rally in the share price this week, the stock still trades at attractive multiples of 19 times 2017 EPS and 16 times next year's consensus EPS.

This is significantly lower than the valuation of the stock in the recent past, which was north of 40 times — a result of the decrease in the stock price as well as increasing profitability.

Bottom Line

In summary, Badger is a [well-run company](#) with a history of high margins and strong returns on equity, and 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.

So, going forward, as the company continues to increase its diversification with respect to geography as well as industry, results will be less seasonal and volatile than they have been in the past.

And with the company seeing increased activity levels in all markets as well as with increasing pricing, we can expect another strong year for the company and the stock in 2018.

CATEGORY

1. Dividend Stocks
2. Investing

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