



Taking the Fight to Short Sellers!

Description

At times, short-seller attacks can lead to a great investment opportunity. This is especially true when short sellers make their case in a very public way. Typically, when a short report is issued, the stock of the targeted company takes a dive.

Case in point: Citron Research and their attacks on **Shopify**. The last two times they have issued a short analysis on the company, Shopify's share price dipped approximately 10% the day of the report. Yet the company has more than rebounded and is trading much higher. Astute investors recognized this as a buying opportunity.

It is therefore interesting to see what is transpiring with **Badger Daylighting** (TSX:BAD). The company is accusing notable short seller Mark Cohodes of unfairly targeting the company.

Short thesis

Mr. Cohodes's short thesis revolves around accounting issues and illegal toxic waste dumping — the latter being the result of a company whistleblower. If true, these are certainly causes for concern. Mr. Cohodes has been shorting the company for over a year.

The important thing to note, however, is that none of these allegations have been proven. In May, Badger announced that the Alberta Securities Commission (ASC) cleared the company of wrong doing.

Counter attack

In a rare move, Badger is now on the offensive. It applied for a cease-and-desist order against Mr. Cohodes related to his position in the company. Although this was ultimately denied, it appears that the ASC is considering legal action against the short seller.

This could have significant ramifications if charges are brought against Mr. Cohodes. Since Badger announced it was turning the tables, its stock price has jumped 7%.

Significant impacts

Short sellers have prevented Badger Daylighting from reaching its full potential. As of the last report, 22% of Badger's float was short. This is the highest percentage on the TSX.

Over the past year, Badger has consistently beat analyst estimates on both the top and bottom lines. Its most recent quarter saw the company beat earnings expectations by 24%.

The ASC investigation could push short sellers to cover, and the company could benefit from a short squeeze.

Buying opportunity

Although Badger is trading near the top of its 52-week range, the company still has plenty of room to run. It appears insiders agree. Over the past six months, there have been 18 insider buys on the open market as compared to only one sell. Analysts have a one-year price target of \$35, implying 10% upside from today's price.

We have already seen how a potential resolution to this very public dispute could be a catalyst for the company. In the meantime, investors can pick up shares at a good price.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/08/26

Date Created

2018/08/20

Author

mlitalien

default watermark

default watermark