Get Ahead of Analysts and Beat the Market With This Stock

Description

It hasn't been a banner year for Canada's major stock exchange. Year to date, the TSX Composite Index is down almost 5% and it's also in the red over the past year. Although there are many fans of index investing, it simply has not been a wise strategy as far as the TSX is concerned. Why? [Because of a lack of diversification](). The TSX is highly concentrated in three sectors: financials, energy, and mining.

This is why investors who have a keen eye for stock picking have easily outperformed the TSX Index. One stock that [has beat the market in a big way]() is **North American Construction Group** ([TSX:NOA]())([NYSE:NOA]()).

Performance

North American Construction has posted a double in 2018. Year to date, the company has returned a massive 127%! It gets better. Since bottoming out in 2016, its share price has done nothing but rise. North American Construction's one and two-year returns are 170% and 260%.

In the second quarter, the company posted blowout numbers. Revenues rose 67% year over year and earnings turned positive in a big way. Net income jumped to $33,000 from a loss of $6.2 million a year earlier. Likewise, adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) rose to $15.2 million compared to $2 million in the prior year. The results also beat analysts' estimates who were expecting a net loss of $0.12 per share.

The company credited its success to "taking proactive steps to mitigate the impact of seasonality on [its] business" It now believes it "can achieve profitability in any quarter" and raised guidance to 30% growth in adjusted EBITDA.

Growth through acquisition

The news got even better in late September. North America Construction announced it was taking a 49% stake in Alberta-based construction and mining company Nuna Logistics Ltd. The deal, which is valued at $42.5 million, is expected to add $80 million in revenues, $14 million in EBIDTA, and $7 million in free cash flow.

It wasn't done. In early October, the company agreed to acquire Aecon's heavy construction equipment fleet and related assets for $199 million. Once again, the deal is expected to add $220 million to the company's top line.

The two new acquisitions and organic growth are expected to drive earnings per share (EPS) to approximately $1.60 in 2019.

The market has reacted positively to the news sending the shares to new highs. Don't worry; it's not too late to jump in. Analysts have not yet caught up to the news as the average estimate is for EPS of only $1.02. As such, retail investors may not be aware of the magnitude of these acquisitions. Expect upgrades and upwards price revisions in the near future.

As of writing, the company is only trading at nine times expected 2019 earnings. The best time to jump in is now before analysts weigh in.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:NOA (North American Construction Group Ltd.)
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