



Investors: Don't Miss the Boat — Grab Onto This Top Growth Stock and Sail Into the Sunset

Description

Badger Daylighting Ltd. (TSX:BAD) is in the business of excavation, or digging.

More specifically, the company uses non-destructive excavation with its own Badger Hydrovac, which “uses high-pressure water and vacuum systems mounted on a truck chassis to expose buried infrastructure or prepare an area for future work.”

It's 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.

It's a growth stock and a dividend stock with a current dividend yield of 2.05% and strong growth ahead of it.

The stock has had a volatile few years, with short sellers going after it and a multiple that went from frothy and rich to current levels that are bordering on dirt [cheap](#).

So what's up?

Badger has enjoyed a 15.5% 10-year compound annual revenue growth rate and EBITDA margins of between 25% and 30%. It continues to benefit from a solid balance sheet, thus giving it the flexibility to continue to grow organically and via acquisitions.

Badger Daylighting stock still seems to trade in tandem with the energy sector, and is down 19% from its highs of this summer even after a concerted effort by the company to get the message across that it is not just a company that services the oil and gas sector.

Not by a long shot.

This amid an increasingly stable revenue and [cash flow generator](#) with an increasingly larger amount

of its business coming from stable and predictable sectors such as the utility sector.

The energy sector actually accounts for approximately 40% of revenue, and the company is actively growing its business from other industries, so we can expect this number to continue to decrease going forward. In any case, the energy sector has been recovering, and so this exposure can be viewed positively.

The market for non-destructive excavation is healthy, as clients are choosing the digging solution that doesn't disturb the infrastructure such as pipes, as this is clearly more desirable.

Also, the macro-economic environment in Canada and the U.S. is highly supportive of ongoing construction projects.

In the energy sector, oil prices keep rising, and recent news that the \$40 billion LNG project got the go-ahead is just the latest news that shows a strengthening spending environment for Badger.

Steady economic growth will continue to boost spending on municipal projects, utilities projects and infrastructure projects. As for Badger, strong business fundamentals remain, and continue to get stronger against this macro backdrop.

In the first six months of 2018, revenue increased more than 20%, adjusted EBITDA increased 21%, and cash flow from operations increased by a similar amount.

Longer term, management still has a goal of doubling the U.S. business over the next 3 to 5 years as they continue to see opportunities for more uses for the hydrovac as well as geographic expansion.

Trading at approximately 16 times this year's expected earnings, this stock has never been cheaper.

CATEGORY

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