



2 Value Stocks With Big Upside in 2019

Description

The upside to plunging markets is the emergence of bargains, or [value](#), as stock prices fall.

Uncovering this value is not always easy, as down markets have uncovered risks and uncertainties, but there are stocks that are emerging as clear opportunities for investors to buy at [bargain prices](#).

So let's go bargain hunting.

Badger Daylighting Ltd. (TSX:BAD)

Badger stock has risen 25% year to date, a very good performance relative to the market, which has fallen more than 10%, and certainly better than most stocks.

The business of excavation, or digging, has been a growth business for Badger, but Badger is a value stock, as it has been trading at depressed levels after 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.

In its third quarter report, Badger reported a 20% increase in revenue, 31% increase in its adjusted EBITDA, and a 57% increase in EPS, as activity and pricing was strong and the company continued to achieve benefits of scaling.

In the first nine months of 2018, revenue increased 20%, adjusted EBITDA increased 25%, and cash flow from operations increased by 27%.

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

Trading at 17 times this year's earnings, this stock is a steal.

Nuvista Energy Ltd. ([TSX:NVA](#))

Nuvista has gotten killed year to date, losing more than half of its value. With a 60% natural gas

weighting, we can easily see why.

And while NuVista is certainly a contrarian's stock in an industry that is at cyclical lows, it is trading at value prices and it has massive upside when the cycle turns.

Fundamentally, the company is on a roll, and its exposure to the very prolific Montney resource play is expected to continue to drive strong results in the next few years. We can expect strong production growth of almost 20% this year, and the company is achieving a more than 30% growth in cash flow per share.

With its flexible balance sheet that has a reasonable level of debt (20% debt to total capitalization ratio), the company is able to withstand weak natural gas prices and continue growing its production for the foreseeable future.

Final thoughts

In this difficult market, a good strategy is to buy stocks that are trading at bargain prices with the goal of achieving massive long-term gains. These two stocks are not without risks, but they are worthy of a small position in investors' portfolios, as the risk/reward proposition on them is quite positive.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:BDGI (Badger Infrastructure Solutions Ltd.)
2. TSX:NVA (NuVista Energy Ltd.)

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