



2 Grossly Undervalued Stocks for Your TFSA Today

Description

As the cumulative [TFSA](#) contribution limit continues to rise, investors should really develop a game plan to take advantage of this tax haven.

I mean, \$63,500 of tax-free investment returns amounts to big value creation for investors.

One way to benefit from the TFSA is to load up your portfolio with dividend paying stocks, but another way is to load it up with stocks that you believe have big upside, or capital gains potential.

Stocks such as undervalued **Badger Daylighting Ltd.** (TSX:BAD), which has given investors a one-year return of 77% and a year-to-date return of 27%.

In a TFSA portfolio, the tax savings on these capital gains is significant.

At this point, I still believe Badger Daylighting is [undervalued](#), so the stock still makes a great addition to your TFSA portfolio.

This provider of non-destruction excavating services deploys its Badger Hydrovac technology in its work with clients from a wide range of infrastructure industries, such as oil and gas, utilities, and other large infrastructure facilities in North America.

In 2018, revenue increased 25%, adjusted EBITDA increased 29%, and cash flow from operations increased by 31%.

Effectively beating expectations by a significant margin and increasing its dividend by 6%. Badger stock's dividend yield is currently a respectable 1.4%.

Badger has enjoyed a more than 15% 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 18 times this year's expected earnings with an expected 22% increase in EPS, this stock is

still a steal.

Another undervalued stock that makes a great addition to your TFSA is energy stock **Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)), the embattled Canadian energy giant that continues to struggle with weak Western Canadian Select oil prices, and infrastructure issues in Canada.

But Cenovus Energy also has big upside, and for those contrarian investors willing to be patient and that are able to maintain nerves of steel, this upside can be realized in time.

The \$17.7 billion acquisition of assets from ConocoPhillips in 2017 has served to dramatically increase Cenovus' production profile, and drive strong cash flow growth.

As free cash flow ramps up through to 2020, we can expect to see increasing dividends, debt reduction, and more share buybacks, all catalysts for strong performance for Cenovus Energy stock.

Final thoughts

Undervalued stocks make great additions to your TFSA portfolios, which will shelter your capital gains from taxes.

The stocks that I've discussed in this article both have big upside and should be considered for your TFSA, tailoring your selection to your own personal risk/reward profile.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. TSX:BDGI (Badger Infrastructure Solutions Ltd.)
3. TSX:CVE (Cenovus Energy Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
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