



Why My 2019 Top Stock Pick Is Up 50% This Year — and Why It's Still a Buy

Description

The year 2019 has brought us many success stories so far. And with the market having rallied 14.7% year-to-date, we have clearly had a good year overall.

Badger Daylighting Ltd. (TSX:BAD) has taken this strong performance to another level. Up 50% year-to-date, the company continues to do many things right since I chose the stock as my top 2019 pick.

Trading at [all-time highs](#) of just under \$50, Badger has not only seen explosive growth in its stock price, but also in its business, its profitability, and its shareholder value creation.

Badger has enjoyed a 15.5% 10-year compound annual revenue growth rate (CAGR), EBITDA margins of between 25% and 30%, and a 10% five-year CAGR in cash flows.

Badger Daylighting's business revolves around excavation, more specifically, non-destructive excavation. And Badger uses its own Badger Hydrovac to achieve this, coming in to prepare areas for future work.

If this doesn't sound like an exciting or money-making business, consider the fact that Badger prepares areas for companies in a broad range of infrastructure-related industries, including the oil and gas industry, petro-chemical industry, transportation and the construction industries.

With an increasingly diversified list of clients, we can see that this is a major growing business, as evidence by Badger's historical financial results.

And growth is ramping up, with the first quarter of 2019 showing the company post a 22% increase in revenue, a 36% increase in adjusted EBITDA, and a 22.7% EBITDA margin, up from 20.3% in the same period last year despite difficult weather conditions.

Future growth potential remains huge

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.

Steady economic growth will continue to boost spending on municipal projects, utilities projects and energy projects, to name but a few.

Management still has a goal of doubling the U.S. business over the next three to five years as they continue to see opportunities for more uses for the hydrovac as well as geographic expansion.

And Badger continues to benefit from a solid balance sheet, thus giving it the flexibility to continue to grow organically and via acquisitions, thus achieving its goal.

Still undervalued

Given all this, I continue to view Badger's shares as [undervalued](#).

Trading at 24 times this year's expected earnings and only 17.6 times next year's, with accelerating growth, cash flow generation, and share buybacks, Badger has a bright future.

Final thoughts

Notwithstanding Badger stock's 50% rise in 2019, this stock is just getting started, with more upside to come as Badger continues to benefit its scale and increasing diversification across both industries and geographies.

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