



## TFSA Investors: Hold This Stock in a Market Crash

### Description

**Badger Daylighting** (TSX:BAD) is North America's largest provider of [non-destructive excavating services](#). The company provides services to contractors and facility owners in a broad range of infrastructure industries. The company's key product is the Badger hydrovac, which is used mainly for safe digging in congested ground and challenging conditions. Badger produces truck-mounted hydrovac units.

The company has a price-to-earnings ratio of 18.71, a price-to-book ratio of 3.59, and market capitalization of \$1.18 billion. Debt is very sparingly used at Badger, as evidenced by a debt-to-equity ratio of just 0.55. The company has excellent performance metrics with an operating margin of 14.29% and a return on equity of 19.47%.

Badger's business model involves providing excavating products via corporate operations and via operating partners. Partners include franchisees in the United States and agents in Canada.

Badger has established corporate facilities in locations to market and deliver the service in the [local area directly](#). The company also works with operating partners in certain locations to provide hydrovac services to the end user. Badger provides the expertise, the trucks, and North American marketing and administration support, and the partners deliver the service by operating the equipment and developing their local markets.

Badger often utilized operating partners to expand the business into new markets in the past. Badger's operating partners are an important part of the company's operations. However, Badger now pursues expansion into new locations primarily through Badger corporate operations.

Based on expected activity, Badger anticipates that 2019 earnings before interest, taxes, depreciation, and amortization (EBITDA) will be in the range of \$170-190 million with a hydrovac build of between 190-220 units and retirements of 40-60 units. Steady growth in Badger's end use markets and geographic areas has led to an increase in revenue and improved fleet utilization, and the company anticipates continued growth in revenues in 2019.

Badger's 2019 financial outlook assumes that Badger will continue to realize steady growth in the use

of hydrovac for non-destructive excavation as a result of continued customer adoption, particularly in the company's U.S. operations.

Badger expects to see improvements in revenue as a result of the scale of the company's extensive branch network combined with the ongoing benefits of the company's revamped marketing processes. The overall macro-economic environment in both the U.S. and Canada is expected to support higher economic activity in 2019.

Badger sees growth opportunities in the majority of the markets it operates in, although the ability to take advantage of these opportunities is constrained by the availability of trained operators as the market for labour, particularly in certain oil- and gas-focused regions.

Badger's 2018 reported EBITDA of \$161.7 million was an improvement compared to the previously provided financial outlook. This was because of stronger-than-anticipated customer activity levels throughout the fourth quarter due to the impact of emergency response work related to Hurricane Michael and the California wildfires. During 2018, Badger placed 191 new hydrovacs into service and retired 79 units.

In summary, infrastructure stocks are expected to outperform in North America, and Badger looks like an excellent stock to hold over the long term.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:BDGI (Badger Infrastructure Solutions Ltd.)

## PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

## Category

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## Author

nikhilwaterloo

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