



## Alert: This \$1 Billion Company Could Be the Next Mega Buyout Target

### Description

Companies are usually acquired for a significant premium to their market value. **Cineplex**, for example, was acquired at a 42% premium to its market value. Lucky shareholders who bought the stock shortly before the acquisition was announced experienced a hefty windfall right away.

So, keeping an eye out for potential acquisition targets isn't a bad strategy for investors. Of course, predicting an acquisition, much less the premium, is nearly impossible. However, I believe I may have found a stock that is a target for a potential buyout in the near future.

### Badger Daylighting

Non-destructive excavator **Badger Daylighting** (TSX:BAD) is by no means a popular stock. Most investors may never have heard of it. In fact, there was [only one article](#) that was just about the company published on Motley Fool last year.

Admittedly, the company's isn't very exciting. It provides hydrovac, hydro-excavation, potholing, and vacuum truck services across North America and generated about \$670 million in revenue over the past year. The profit margin is a reasonable 10%, while the dividend yield is a mediocre 1.6%.

However, some private investor seemed very interested in acquiring the firm back in mid-2018. This unnamed buyer made a private proposal to the company's board of directors, which was promptly turned down. David Calnan, one of the directors on Badger's board, resigned after this because he believed the offer was fairly valued and should have been accepted, according to *BNN Bloomberg*.

Over the next 12 months, Badger's stock skyrocketed 50% but has since plummeted back to its initial value in mid-2018. That means the stock is likely below the price an acquirer was willing to pay for it two years ago.

The stock currently trades at 16.33 times forward price-to-earnings ratio and 1.78 times annual sales. The company's debt-to-equity ratio is 55, while its dividend-payout ratio is 0.30. In other words, it still seems undervalued and could be an ideal target for a corporate takeover.

In fact, a corporation is already buying a significant number of the company's shares: Badger itself. Over the past year, the management team has deployed a normal course issuer bid (NCIB) to repurchase just under two million of the company's outstanding shares. This buyback program coincides with the company's financial performance improving, as sales and profit margins expanded throughout 2019.

Management seems to be sending a clear signal that the stock is undervalued and the company's outlook is bright.

## Bottom line

Private takeovers and buyouts are the ultimate catalysts for investors. No other corporate action unlocks this much value this quickly. In recent acquisitions, private investors such as hedge funds, family offices, and billionaire entrepreneurs have paid a significant premium to acquire a publicly traded company.

Spotting these potential acquisition targets isn't easy, but sometimes there are clues that a company is poised for a takeover. Badger Daylighting, for example, has already had some offers, which were turned down by the board. At the moment, the company's stock is trading at nearly the same price as its potential acquisition not too long ago. That makes it worthy of a spot on your watch list for future buyouts.

### CATEGORY

1. Investing

### TICKERS GLOBAL

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

### PARTNER-FEEDS

1. Business Insider
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