1 Oversold TSX Stock to Consider for Your TFSA

Description

There are companies that go about their business, day in and day out, despite weak economic scenarios. Recessions come and go, but these businesses don't waver from their paths. They do it so often and so regularly that you forget about them. They are lost to the investor community until someone finds them.

I believe I have found one such company — a hidden gem, so to speak.

Badger Daylighting (TSX:BAD) is North America's largest provider of non-destructive excavating services. Badger traditionally works for contractors and facility owners in a broad range of infrastructure industries. The company's key technology is the Badger hydrovac, which is used primarily for safe digging in congested grounds and challenging conditions.

2019 numbers

The company reported its numbers for the fourth quarter of 2019 and the full year. Revenues for the quarter and annual revenues were consistent with management's expectations. Fourth-quarter revenue of $162.7 million in 2019 was down $15.9 million, or 9%, from the same period in 2018, and annual revenue of $654.3 million in 2019 was up $38.9 million, or 6%, compared to annual 2018.

Gross profit margin for the fourth quarter of 2019 was 29.3% — 220 basis points lower than the fourth quarter of 2018. The year-over-year decline in the gross profit margin was due largely to fourth-quarter 2018 emergency response work, which did not recur in 2019.

During the fourth quarter of 2019, Badger successfully rolled out its new Enterprise Resource Planning (ERP) system across its corporate operations, with its operating partners and Franchisees going live in January 2020. All components of the ERP are functioning as intended across all parts of the business.

2020 outlook

Badger has made no changes to its 2020 financial outlook. The company is closely monitoring the global spread of the coronavirus and the impact it may have on the global and North American economies and, consequently, the impact on Badger's operations.

Badger anticipates that adjusted EBITDA for 2020 will be in the range of $175 million to $195 million (it was $158 million for 2019) and that gross profit margin and RPT for 2020 will be consistent with 2019.

While significant uncertainty currently exists across financial and commodity markets, with the potential impact on the general North American economy currently uncertain, Badger says, at this point in time, it is unclear what the short- or long-term impact might be on Badger's operations.

In the event of an economic downturn in Badger's markets, Badger will proactively re-allocate hydrovacs across its branch network in response to regional activity levels, and, consistent with historical practice, it will continue to prudently manage capital expenditures to support hydrovac truck growth and manage retirements.

Badger had four targets that it is working towards. The company aims to

- Double the U.S. business from fiscal 2019 levels over a period of three to five years;
- Grow Adjusted EBITDA by a minimum of 15% per year;
- Target Adjusted EBITDA margins of 28% to 29%; and
- Drive fleet utilization and revenue per truck per month above $30,000.

Analysts have given Badger an average price target of $41.57. The stock currently trades at $20.8. That's an uptick of close to 100%. The lowest price target is $30, which is still a healthy 30% over current prices. The stock is trading 58% below its 52-week high. This massive decline has increased its forward yield to 2.5%.

Badger is a great stock to keep on your radar and pounce on once the COVID-19 disaster passes.

CATEGORY

1. Dividend Stocks
2. Investing

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

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1. Business Insider
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