



2 Under-\$40 TSX Stocks That Could Soar Into Summer

Description

The **TSX Index** is full of great under-\$40 mid-cap stocks that tend to trade at wider [discounts](#) to their intrinsic value range. But, as you may know, Mr. Market has a tougher time at pricing small- and mid-cap stocks at close to their intrinsic value versus the likes of the mega-cap stocks you're likely to [hear about non-stop](#) on your favourite financial TV show.

So, if you're a young investor with a stomach for volatility and a long enough time horizon to hold an undervalued name until Mr. Market can correct his pricing mistake to the upside, then please consider the following:

Badger Infrastructure Solutions

Badger Infrastructure Solutions ([TSX:BDGI](#)), formerly known as Badger Daylighting, is a pretty wonderful business that most Canadian investors have probably never heard of. The company provides non-destruction soil excavation services (a process known as daylighting) with its hydrovac-equipped fleet of trucks.

For firms that need to dig up buried infrastructure (think pipelines) or need groundwork to layout new underground assets, Badger is the company to call up. With the oil and gas sector on the mend and a booming economy underway, Badger is about to see the tides turned in its favour, as its return on invested capital numbers looks to bounce back to the high teens.

The company recently came off an underwhelming first-quarter result that revealed COVID's horrific impact. However, as the coronavirus abates and business makes a move to pre-pandemic levels, I think Badger is capable of taking off and growing into its premium valuation. The stock trades at 46.7 times forward earnings. That's not cheap, but you've got to pay up for quality. And Badger, I believe, is one of the highest quality **TSX** stocks with a market cap south of \$2 billion.

The company had a name change, but it's still the same Badger we all know and love. As infrastructure spending looks to make up for lost time, look for the name to make a run for new highs.

Park Lawn

Park Lawn ([TSX:PLC](#)) is in the death care business. The company owns and operates numerous cemeteries, crematoriums and funeral homes across the U.S. and Canada.

Park Lawn is typically a highly defensive business, but the COVID-19 impact delivered a major blow to operations, sending PLC stock down around 50% during the coronavirus stock market crash. COVID-19 restrictions hurt funeral service revenues, but as more COVID-19 jabs are put in arms, such restrictions are going to be lifted and funeral revenues should normalize.

In the meantime, Park Lawn's managers have been doing a great job of mitigating the pandemic's impact. The company clocked in a great first quarter, with adjusted EBITDA up nearly 42% year over year. With a robust balance sheet, I'd look for the firm to continue taking advantage of opportunities in the deathcare space with strategic M&A to put it right back on the growth track.

For the calibre of double-digit defensive growth, you'll get from the under-\$40 TSX stock, I'd argue a 2.8 times sales is on the lower end. So, if you're in the market for a promising mid-cap with improving prospects, look no further than the name.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:BDGI (Badger Infrastructure Solutions Ltd.)
2. TSX:PLC (Park Lawn Corporation)

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