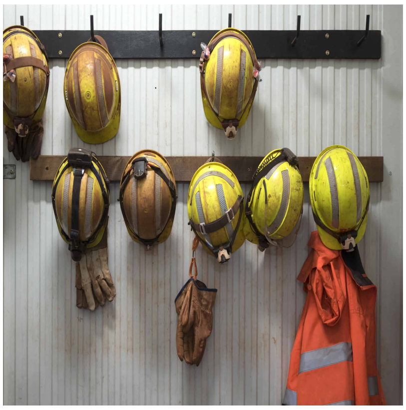

1 High-Growth Mining Stock Too Cheap to Ignore

Description

The materials sector, where metals and mining stocks belong, is one of only four primary sectors with positive returns year to date. While it beats the broader market (+1.41% versus -7.78%), the performance is below par compared to energy (+47.33%). However, an individual stock deserves to be on investors' buy list this year-end.

Major Drilling Group International Inc. (TSX:MDI) stands out and is too cheap to ignore. At $10.79 per share, the high-growth stock is up 30.6% year to date and market analysts recommend a buy rating. Their 12-month average price target is $16.30, with a return potential of 51%.

Brief overview

Major Drilling isn't a miner but provides specialized drilling services to the mining industry. It offers a complete suite of drilling services for surface and underground projects. Besides Canada, the driller has offices and field operations in Africa, Asia, Australia, Mexico, South America, and the United States.

The $894.1 million firm started as a conventional drilling company in 1997 and grew through geographic expansions and acquisitions. In 2000, the strategy changed, and the focus shifted to dominating specialized drilling. According to management, investing in MDI is a great way to participate in the mining market without the need to purchase individual mining company stocks.

Strong financial results

Major Drilling has become more attractive after reporting stellar financial results in Q2 fiscal 2023. In the quarter that ended October 31, 2022, revenue and net earnings grew 18% and 65% to $201.7 million and $23.6 million versus Q2 fiscal 2022. Notably, net cash soared 503.53% year-over-year to $51.3 million.

Its President and CEO, Denis Larocque, said, "Continued strength of demand for Major Drilling's services, especially our complex, specialized drilling services, once again drove solid quarterly results." In the same quarter, Larocque saw the growing importance of the electric vehicle (EV) and electrification market, as evidenced by the increased demand from copper and battery metals customers.

Ian Ross, Major Drilling's CFO, adds, "Our operational leverage continued to generate excellent financial results as activity levels remained robust." Because of the solid net cash position, Major Drilling has tremendous liquidity and flexibility moving forward.

Bright business outlook

Larocque said further, "As we enter our seasonally slower third quarter, customer demand for calendar 2023 looks to remain strong." Despite economic headwinds experienced since the beginning of 2022, metal prices have remained at levels well above what is needed to support exploration."

Management believes the growing supply shortfall in most mineral commodities will drive demand for Major Drilling's services. It also expects enormous volume growth for copper and battery metals as the global demand for electrification accelerates. Furthermore, the diversification strategy should enable the company to offer a modern and productive fleet to meet the growing demand in this industry.

Better buy than the top mining stock

Is Major Drilling a better buy than Barrick Gold today? The small-cap mining stock outperforms TSX's premier gold producer. MDI's total return in 3.01 years is 91.7%, a compound annual growth rate (CAGR) of 24.2%. Barrick's gain during the same period is only 13.2% (4.2% CAGR).

CATEGORY

1. Investing
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