



Why Is this Stock at the Top of the TSX Short-Sellers List?

Description

It's always interesting to see which TSX stocks top the short-sellers list. Why? We can gauge which stocks the market seems most bearish on. You can measure this number based on total shares or by a percentage of shares. Looking at percentages, the stock currently topping the TSX short-sellers list is **Badger Daylighting Ltd. (TSX:BAD)**.

Badger provides hydrovac excavation services. (I explained what that is when I first talked about Badger back in [October](#) for anyone who'd like to know.) Currently, 24.3% of Badger's outstanding shares are borrowed by short sellers. That's a lot of shares.

Why so bearish?

Some investors are worried about how Badger reports revenue. Fool contributor Joey Frenette did a good job of explaining how Badger essentially counts its chickens before they are hatched in this summer [article](#). Other investors feel the stock is overvalued and has seen increased competition that erodes its competitive advantage. The stock's price has taken a hit over the last year, coming down from a high of \$36.22 in March to trade around \$26 per share now. (The stock hit a low in May and has been a bit up and down since then.)

On the other hand...

Not everyone agrees with the negative view. In terms of results, Badger looks good. Sales and profits have steadily increased this year. Expenses are holding fairly steady. Some analysts are puzzled about the stock's recent performance and short selling, seeing good results and value in the company.

One in particular, Brian Pow from Acumen Capitalist, and this to say about the stock in the *Globe and Mail*:

"The growth focus is in the U.S. where there is less competition and the company is well on its way to its goal of doubling its U.S. business in the next three to five years. We also believe BAD will be one of the names in our universe to benefit the most from the U.S. tax

changes in 2018. The benefit of the accelerated depreciation is particularly attractive as BAD is currently sending most of its trucks to its U.S. operations. We would take advantage of the current price as we expect street estimates to be revised upward to reflect a faster pace of truck manufacturing to support its growth objectives.”

Bottom line

If the U.S. pulls out of NAFTA, that could negatively affect anyone doing business south of the border, which would include Badger. I understand the accounting concerns, but I think everything else looks fairly solid for the stock. If you are looking for a construction stock, keep your eye on Badger Daylighting.

CATEGORY

1. Investing

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