



## Oil Services Sector: Should Investors Buy or Sell?

### Description

A few weeks ago, [I reviewed Mullen Group \(TSX:MTL\)](#) and [Precision Drilling's \(TSX:PD\)\(NYSE:PDS\)](#) fourth quarter results, where we saw a return of revenue momentum and renewed optimism about next year. Let's check in with some other oil services names and their fourth-quarter results.

**Trican (TSX:TCW)** reported a 14% increase in revenue for the quarter, and **Calfrac's (TSX:CFW)** revenue increased 26%, while EPS was flat. Activity is strong but we have yet to see the pricing power that comes with strong activity levels.

These results echo the struggles that Mullen Group reported in its fourth-quarter results. Results were below expectations due to margin pressure. Operating costs were higher than normal, thus driving operating margins 6% lower versus last year. Productivity was lower than usual and operating expenses such as wages, fuel, and repairs and maintenance were higher than expected.

Weakness in pricing and increased costs also weighed heavily on the results of Trican and Calfrac. Trican saw pricing decreases and increases in costs that ate away at the company's margins. EBITDA margins in the fourth quarter were 6.8% compared to 7.7% last year. Calfrac also saw a deterioration in Canadian EBITDA margins, but the strength in Latin America and Russia more than offset this.

### Stocks move in anticipation of improving industry conditions

Calfrac shares have a three-month return of 17.8%, Trican shares have increased 10.85%, Mullen Group has decreased 2.3%, and Precision Drilling has increased 31%.

### Foolish bottom line

Clearly, the highly competitive market in Canada is a concern. But there appears to be optimism with regard to the pace of development of unconventional resources and its impact on activity levels and ultimately, pricing. Remember, the oil service names are a volatile way to invest in the energy space. So timing is very important.

These stocks have seen great increases in good times, but the reverse is true in bad times. Looks like with the anticipated increases in drilling activity and the renewed strength in natural gas prices, these

may be the good times.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:PDS (Precision Drilling Corporation)
2. TSX:CFW (Calfrac Well Services Ltd.)
3. TSX:MTL (Mullen Group Ltd.)
4. TSX:PD (Precision Drilling Corporation)
5. TSX:TCW (Trican Well Service Ltd.)

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