



## Invest in These 2 Little-Known Backbones of the Oil Fields

### Description

“Drill, baby, drill” has been the mandate across the Alberta oil sands, and it is easy to get focused on the juggernaut players in the industry and forget about the smaller companies that keep them running.

#### **Canadian Energy Services & Technology Corp.**

For our first example let's take a look at Alberta-based **Canadian Energy Services & Technology Corp.** ([TSX: CEU](#)). This company provides advanced consumable chemical solutions for oil producers during the entire life cycle of an oilfield. In other words, it greases and lubricates the oil industry, keeping the drills turning and the machinery running more efficiently and cheaper. CES also produces chemicals to help pipelines run more effectively. So how can investors reap the benefits of one of the backbones of the energy sector?

CES operates under many banners in North America. In Canada, it operates under the banners of Moose Mountain Mud, PureChem Services, and Clear Environmental Solutions. Down in the U.S., CES operates under the trade names AES Drilling Fluids, AES Drilling Fluids Permian, and JACAM Chemicals. CES has been able to maintain its growth by creating custom products for specific regions, allowing it to expand well beyond the Alberta oil sands.

Thanks to gains in Canada, primarily through its PureChem brand, CES posted record numbers in its previous quarter. Revenue jumped to \$231 million from \$149 million last year, and net income increased to \$19 million (\$0.29 per share) up from \$9.9 million (\$0.17 per share).

The quarterly dividend just increased to \$0.20, with a 3.38% yield, in the most recent quarter. This is the 10th time since January 2010 that CES has raised its dividend. The stock closed Wednesday at \$32.05, more than double the price it was at this time last year. The price targets vary for this stock, with a low end of \$39.00 and a rich value of \$45.00. The stock carries an average rating of “outperform”.

#### **Badger Daylighting Inc.**

Next up is **Badger Daylighting Inc.** (TSX: BAD). While CES is known for lubrication, Badger is known

for suction. Through its Badger Hydrovac System, the company is able to safely dig through areas with buried pipelines and cables. Unlike CES, Badger is able to operate outside of the energy sector and work just about anywhere for anyone.

However, for those in the oil and gas sector, Badger's services are becoming invaluable. The allure of non-destructive excavation has grown from a novelty to a mandatory requirement by many facility owners and pipeline operators. Due to this unique service, 55% of overall revenue comes from the oil and gas sector.

It's been a year of growth and transition for Badger's stock, earning a spot on the S&P and offering a three-for-one stock split. These changes were fuelled by a 45% increase in revenue, totalling \$100 million in the previous quarter. Broken down by country, revenue in Canada increased by 45% and in the U.S. by 48%. These revenues fuel the \$0.36 annual dividend offered by Badger.

Like CES, Badger has seen its stock price double in the past year, with a 52-week range of \$14.68 to \$43.65, and a Wednesday closing price of \$36.17. The price target on the stock is currently sitting around \$40 and carries a "buy" rating.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:BDGI (Badger Infrastructure Solutions Ltd.)
2. TSX:CEU (CES Energy Solutions Corp.)

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