Will the Fossil Fuel-Free Trend Give Secure Energy Services Inc. a Boost?

Description

Divestment has become a hot topic in the world of sustainable investments, leading to the creation of new mutual funds that specifically exclude fossil fuel producers. That could help boost the fortunes of energy services companies, such as **Secure Energy Services Inc.** (TSX:SES), which assist producers in the processing, recovery, and disposal of crude oil.

"It's hard to get away from fossil fuels, so we are trying to offer a product that is very different and focused on solutions, giving you diversification away from conventional energy companies," says Martin Grosskopf, who manages the AGF Global Sustainable Growth Equity fund, which has gradually reduced its exposure to fossil fuels and now owns mostly alternative energy firms, plus services companies like Secure Energy and **Newalta**, a waste and water solutions company.

Secure Energy faced a tough first quarter this year, as weak oil prices impacted the company's drilling services sector in particular and oil and gas producers reduced their capital spending. However, the company's processing, recovery, and disposal division, and its onsite services sector increased their revenues, helping the company avoid even steeper losses.

Secure Energy posted a net loss of $3.2 million in Q1 2015, compared with net income of $23 million in the same quarter last year. Total revenue fell 30% to $366 million.

Still, Secure Energy said it was able to reduce the impact on margins across divisions through proactive cost management, streamlining of internal processes and cost-savings initiatives. This included incurring severance costs associated with reducing the corporation's workforce by approximately 11%.

In March Secure Energy strengthened its financial position by completing a bought-deal equity financing, raising gross proceeds of $198 million.

"Secure has consistently applied a disciplined approach to maintaining a strong balance sheet to effectively manage the business through a period of lower commodity pricing and industry activity," the company said in its earnings release. "The corporation is well positioned to take advantage of opportunities that may arise as a result of the downturn in the market."

Until more fund companies and investors start separating Secure Energy from the oil and gas producer sector, the services company may continue to face challenges. But as a separate entity, Secure Energy is worth a look for energy investors seeking alternatives from beaten down producer shares.

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