



Precision Drilling Corporation Stays Strong During the Oil Price Slump

Description

Oil prices remain stubbornly low, hampering the recovery of numerous Canadian oil and gas companies. One firm bucking the downward trend is **Precision Drilling Corporation** ([TSX:PD](#))([NYSE:PDS](#)), whose stock is trading higher this year as management of the oil services company looks forward to a stronger second half of the year; management also insists there's no chance of a dividend cut.

Precision Drilling provides contract drilling and production services to oil and natural gas exploration and production companies in Canada and the United States. Precision, which reported weaker net earnings and revenue in the first quarter, expects more spending by its customers in the second half of the year.

In an interview, Chief Executive Kevin Neveu said he expects the North American oil rig count, a key measure for the industry, to rebound, with wells restarting and equipment being upgraded, following cost-cutting measures in the first half of the year.

Baker Hughes, which tracks rig counts in North America, said rig counts in the United States and Canada climbed to 1,032 in the week ending July 10, 2015, up from 1,001 the previous week. That's a long way off from a count of 2,190 in the same period last year, but the number has been slowly rising in recent weeks.

A stronger rig count recovery would require oil prices to rise to the \$60 to \$70 per barrel range, Neveu said. Oil prices were trading at about \$52 per barrel as of Monday.

Despite the challenges in the oil sector, Precision Drilling is the ninth-best performer on the TSX's energy index this year, up 5%, compared to a 7.8% overall decline in the energy indicator. Precision offers a dividend of \$0.07 per share, with a dividend yield of 3.77%. Neveu said the current oil price slump will not affect Precision's dividend.

In the last quarter, Precision surprised analysts with earnings per share of \$0.08 per share, compared to estimates of just \$0.04. In the second quarter, analysts project EPS of -\$0.20 on revenue of \$326 million. In the second quarter of 2014, Precision reported EPS of -\$0.02 per share on revenue of \$475

million. Another surprise to the upside in Precision's second-quarter report, due July 23, could give the stock a welcome boost.

CATEGORY

1. Dividend Stocks
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2. TSX:PD (Precision Drilling Corporation)

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