1 Tech Stock That Could Benefit From Rising Oil Prices

Description

As the price of oil stays above $50 and the potential is there for more of a recovery, there is more hope that the oil and gas industry will start to pick up. How long that may take remains to be seen, but share prices will certainly advance in anticipation. As a result, you might be tempted to invest in some big oil and gas companies, like **Cenovus Energy Inc.** or **Enbridge Inc.**

However, a safer bet may be to invest in a company that isn't directly involved in the drilling or selling of oil at all, but, instead, sells products and services to the oil and gas industry. This would allow you to reap the benefits of the rising industry without having to be directly exposed to the underlying risks and problems that come from operations.

There are tech companies in the oil and gas industry that could be great investments, especially with all the uncertainty that exists. Companies that drill and sell oil need to be very careful that the work that is being done will be profitable, especially if prices are low. This requires a lot of analysis, and one way to accomplish that is through technology. **Computer Modelling Group Ltd.** (TSX:CMG) offers various types of software and tools designed specifically for the industry. It helps companies conduct sensitivity analysis, use optimization tools and simulations, and other modeling programs. The company claims to have a "blue-chip customer base" of oil companies in about 60 countries.

Most of the company's sales come from recurring revenue

In Computer Modelling Group's most recent quarter, its software sales made up 93% of its total revenue, with professional services representing just 7% of the company's top line. Of the software sales, 94% were annual licences and just 6% were perpetual that required no renewals. This is slightly less than a year ago when 97% of software sales were annual, but, by and large, sales are mainly recurring and allow the company to maintain a great deal of consistency in its top line.

The licensing model is also a big reason that the company hasn't taken a big hit in sales during the downturn in oil prices, as sales are less than 1% below the revenue that Computer Modelling Group posted in its 2014 fiscal year.

Strong liquidity and no debt on its books

The company’s balance sheet is clean of debt, and its current assets are almost double the company’s current liabilities, giving Computer Modelling Group a lot of flexibility moving forward.

Why you should consider buying the stock

Computer Modelling Group offers an interesting option for investors that may not want to purchase conventional oil and gas stocks but want to benefit from rising oil prices. This tech company gives you that ability, as you can expect sales to grow as oil and gas companies start re-investing and ramping up capital spending, which will require a lot of modeling and analysis to be done on upcoming projects. With a 4% dividend, you are even given an incentive to wait around for the situation to improve.

CATEGORY

1. Dividend Stocks
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3. Investing
4. Tech Stocks

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1. TSX:CMG (Computer Modelling Group Ltd.)

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