



2 High-Quality Oil Stocks That Are Seeing Intense Buying

Description

Shawcor Ltd. (TSX:SCL.A) is rallying once again, up almost 10% on higher than average volume and up 20% since mid-September. In fact, the shares are trading at double the average trading volume, which is always a good sign.

Being the market leader in the pipeline coating business, Shawcor has lots to gain as the oil and gas market heats up and producers ramp up their spending once again.

Now with oil prices above \$50, and capital spending slowly starting to recover as a result, Shawcor has been seeing a positive trend recently.

Last quarter, the second quarter of 2017, the company reported adjusted EBITDA of \$53 million, a 24% improvement over the first quarter, and revenue of \$384 million, a 7% increase versus the first quarter.

This is something for investors to get excited about after many quarter of declining revenue.

Badger Daylighting Ltd. (TSX:BAD), a provider of non-destructive excavation services, has been smoking hot over the last couple of weeks, increasing 12% on strong results and optimism regarding the oil and gas sector.

The second quarter saw a 12.7% increase in revenue in Canada and a 40% increase in the United States. The company cited strength in infrastructure and construction-related markets as well as improvements in the oil and gas sector.

Okay, so Badger isn't really an "oil and gas" company. But it has enough of its business exposed to the sector to make it very relevant. Exposure to the sector has varied from highs of close to 50% of revenue when the oil and gas sector was booming to more recent lows of closer to 20% as the downturn hit.

Badger's clients also include petro-chemical plants, power plants, and other large industrial facilities in North America.

This diversification is part of what makes the stock so appealing. Diversification stabilizes results and lessens the volatility.

As an indication of the strength that Badger is seeing and the confidence it has in its business going forward, management increased its dividend by 15% in August of this year to \$0.34 per share.

With strong cash flows, a healthy balance sheet with \$44 million in cash, and a debt-to-capital ratio of 25%, Badger is well positioned to execute its growth plans. We can expect a bump up in revenue as management expands both geographically and into new businesses.

These two companies are rallying off a strengthening outlook for the oil and gas sector. They differ from companies such as **Baytex Energy Corp.** ([TSX:BTE](#))(NYSE:BTE), which is highly levered, less diversified, and, thus, riskier.

These are high-quality names that belong in investors' portfolios for oil and gas exposure.

CATEGORY

1. Energy Stocks
2. Investing

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1. Editor's Choice

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2. TSX:BTE (Baytex Energy Corp.)

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karenjennifer

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