



## 2 Oil and Gas Stocks Under \$5 That Could Take Off!

### Description

Crude oil is staying over \$50 for now, and with upward momentum, it could continue to rise. Oil and gas stocks have been battered and bruised this year, but signs are that many in the industry might be able to recover with many companies finding ways to be profitable despite a low price of oil.

Since trading at over \$100 back in 2014, the price of oil has been more than cut in half, prompting many companies in the industry to go out of business or, at the very least, scale back capital spending.

With signs that a recovery might be taking place, I'm going to look at two stocks that could be great bargains today that won't break the bank.

**Precision Drilling Corporation** ([TSX:PD](#))([NYSE:PDS](#)) currently trades at over \$3 a share, and the stock has lost nearly 60% of its value year to date. With the stock currently trading at less than half of its book value, it could be a great buy today.

Despite revenue growth of 68% and an improved bottom line in its most recent quarter, the share price failed to gain any traction upward, as investors did not see any reason to take a risk on the oilfield services company. It wasn't until oil prices started to rise in late August that the stock started to increase in price.

With current assets being more than double the company's current liabilities, Precision Drilling has strong liquidity to help it avoid any imminent danger. However, with barely any cash from operations in the last quarter and \$361 million used up in the past 12 months, there is certainly some risk with the company having just one-fifth of the cash on hand than it did a year ago.

Although Precision Drilling may be a bargain, investors should wait for the next quarter to see how the company's cash position has fared. The one danger with oil and gas is that although the company could be growing its sales, there is a high default risk and receivables don't necessarily translate into cash.

**Baytex Energy Corp.** ([TSX:BTE](#))([NYSE:BTE](#)) is another \$3 stock that has seen its value cut in half this year. Like Precision Drilling, a good quarter wasn't enough to convince investors that the stock was

a good buy. Baytex was able to even post a profitable quarter for the second consecutive period while growing sales by 40%.

The company's share price is an even bigger bargain, trading at just 0.4 times its book value. The problem for investors is knowing where the floor price is, as even in the past month, Baytex has seen its share price drop another 9%.

Baytex's liquidity is not as strong as Precision Drilling's, with current liabilities slightly higher than the company's current liabilities. Although Baytex has a little more than \$2 million in cash on hand, that is still five times the amount it had a year ago.

Cash flow hasn't been strong for Baytex either, and the company has seen negative free cash flow of \$75 million in the past year, although operating cash flows have been positive in each of the past four quarters.

## **CATEGORY**

1. Energy Stocks
2. Investing

## **TICKERS GLOBAL**

1. NYSE:PDS (Precision Drilling Corporation)
2. TSX:BTE (Baytex Energy Corp.)
3. TSX:PD (Precision Drilling Corporation)

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## **Author**

djagielski

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