



Strike it Rich With These 2 Undervalued Canadian Oil Companies!

Description

With the price of oil in recent weeks seeing increased support above the US\$60 per barrel level (WTI crude is trading near \$62 per barrel, and Brent crude is trading at close to \$68 per barrel as of Monday), [improved investor sentiment](#) in the energy sector has led some investors to reconsider investments in companies that have been hit fairly hard in recent years, providing some relatively attractive value opportunities sector wide.

Despite concerns relating to the western Canadian discount which has affected many Canadian oil sands producers, Canadian oil companies operating in the oil services sector (namely, drilling and transportation firms) have experienced a well-deserved bump over the past two quarters, reflecting a medium- to long-term rebound expected among some analysts and investors.

I'm going to discuss two companies that are well positioned to take advantage of an oil price which is now (finally) heading into the right direction in early 2018.

Source Energy Services

Like many other oil services companies, **Source Energy Services Ltd.** (TSX:SHLE) experienced a nice rebound in the third and fourth quarters, boosted primarily by improved expectations relating to the pressure pumping and coiled tubing market in the U.S.

Source recently began trading on the TSX in April of last year, but it has held its own, as investors looking for diversification in the coiled tubing market in the U.S. have generally looked at Source as a key candidate for long-term growth. Source is reasonably valued with a forward price-to-earnings (P/E) ratio of only 7.7 and a price-to-book (P/B) value of 2.5, meaning a great deal of the company's potential growth is not priced in to its equity valuation currently.

Trican Well Services

Similarly, **Trican Well Service Ltd.** ([TSX:TCW](#)) saw significant volatility in 2017, ebbing and flowing but finishing the year marginally higher on improved investor sentiment in the natural gas space and increasing discounts on Canadian crude to international benchmarks. Trican is one of Canada's

premier pumping companies. It's trading at a very reasonable valuation (a forward P/E of 12.5, and a P/B of 1.2).

Any time you're able to pick up a company at or near the price of its assets, investors should certainly take a look. If the market for Trican's key commodities can continue to improve, investors can [win big](#) by investing in this relatively small \$1.5 billion company.

Bottom line

Both Source and Trican provide investors with an attractive value plays in a sector which is chock full of companies trading at ridiculously cheap valuations when compared to tech companies or cannabis producers.

That said, the risk of another oil downturn related to an oil glut which will not disappear remains very likely in the medium to long term, and investors in companies like Trican or Source will need to be willing to play the long game with these securities, riding the cyclical waves up and down over time, albeit in what should be an upward trajectory overall.

Stay Foolish, my friends.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

1. TSX:TCW (Trican Well Service Ltd.)

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Author

chrismacdonald

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