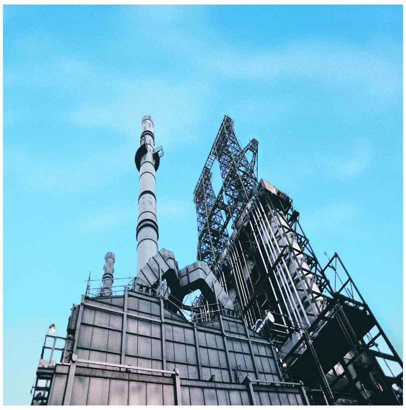

Forget Bitcoin. These Energy Services Stocks Are up to 169% Higher Than Last Year

Description

The energy services sector is notorious for being a high-risk/high-reward sector. But hey, that's nothing compared to the kind of risk I see in the Bitcoin craze, or even the kind of risk I see in the marijuana industry, with these stocks trading at sky-high valuations.

But I digress. Back to the energy services sector.

When the industry is in an upswing, the stock returns are phenomenal. When the tide turns, the downside is brutal.

So, the question is, are we heading for good times? And is it time yet to bulk up on our exposure to get access to these potentially phenomenal returns?

Well, we know two things for sure: oil prices are rallying, and North American drilling is picking up in response.

As a result, it seems to me that oil services companies are on the cusp of breaking out, as they are reporting higher activity levels and significantly higher revenue, earnings, and cash flow. What follows next is higher share prices, which are currently trading at very depressed levels.

Precision Drilling Corp. (TSX:PD)(NYSE:PDS) shares are up 38% since lows of last year. **Trican Well Service Ltd.** (TSX:TCW) shares are up 29%. And **Calfrac Well Services Ltd.** (TSX:CFW) shares are up a whopping 169%.

An analysis of these companies' latest results shows that these stock price increases are fundamentally justified, and that we can expect more in 2018.

Trican saw a 365% increase in revenue in its latest quarter, net income of $46.9 million (versus a loss of $14.7 million last year), and pricing that is increasing but still below peak levels. Given the increases in activity levels, pricing power should be evident in 2018.

Precision Drilling reported a loss per share in its latest quarter (third quarter), but the loss was smaller than expected, and it was 44% better than last year (a loss of $0.07 versus $0.16 last year). Revenue increased 47%, and the company generated $37 million in cash flow. The company had more than double the number of rigs working than it had last year, and pricing remained firm, as the sector continued to ramp up.

Calfrac Well Services shares lost a whopping 95% of their value from highs of more than $21 back in 2014 to lows of just over $1 back in early 2016. Now they are trading at over $6.

Calfrac reported third-quarter results that show a very strong recovery in the business, with revenue increasing 156%, and earnings per share coming in at $0.06 versus a loss of $0.35 in the same quarter last year. The company is very active in the high-growth Alberta Deep Basin and northeast British Columbia areas, and it has good exposure to the Permian Basin in the U.S.

Pricing was stronger in the quarter, and as pricing recovers, margins rise.

In summary, shifting our focus to the leaders of tomorrow should bring investors to the energy sector, as commodity prices continue to rise.

More specifically, the energy services sector is gearing up to be one of the best-performing sectors of 2018.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PDS (Precision Drilling Corporation)
2. TSX:CFW (Calfrac Well Services Ltd.)
3. TSX:PD (Precision Drilling Corporation)
4. TSX:TCW (Trican Well Service Ltd.)

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