



## Attention Investors! Don't Forget These Overlooked, Undervalued Energy Stocks

### Description

With oil closing in on \$70, there are an increasing number of investors, including me, who are noticing the value that [energy stocks](#) are displaying. Within this group, we have energy services stocks. These companies provide the services to the oil and gas producers — services such as drilling, transportation, and more. These services are becoming increasingly sophisticated because of technological advancement, driving more value for the sector.

**Calfrac Well Services Ltd.** ([TSX:CFW](#)) is such a company.

The company is very active in the high-growth Alberta Deep Basin and northeast British Columbia areas, and it has good exposure to the prolific Permian basin in the U.S.

So, with good exposure to the North American market, the stock has made significant gains recently on the back of increased drilling and pricing power.

Let's go back in time a bit to review the [volatile history](#) of this stock, which is consistent with the volatile history of energy services stocks in general. The stock lost a whopping 95% of its value from its highs of more than \$21 back in 2014 to lows of just over \$1 back in early 2016. Now, it is trading above \$7.

And this trade is still in the early stages, as the company continues to build momentum, as evidenced by its first-quarter 2018 results, which shows a booming business.

Revenue increased 117%, adjusted EBITDA increased 238%, and EPS swung from a loss of \$0.14 to a gain of \$0.02. The company's job count increased 59%, the revenue per job increased 44%, and the company is free cash flow positive (excluding changes in working capital).

**Pason Systems Inc.** ([TSX:PSI](#)) is another energy services stock that deserves mention, but this one is a more stable one.

As a more geographically diversified name, with a more differentiated product offering, Pason Systems represents a lower-risk way to get exposure to this sector.

The shares have been volatile, but relatively less so, and having been stuck in the \$20 range for the last three or so years, with drastically improving fundamentals, I see good value here.

First-quarter 2018 results released yesterday are evidence of these strong fundamentals. Revenue increased 25%, net income increased 82%, and cash flow from operations increased 60%, as activity in the energy sector increased significantly.

Pason Systems has been investing in new “drilling intelligence” products and services, and in Canada these products have resulted in a year-over-year increase in revenue per day of 10%.

In summary, in my view, the energy services sector is gearing up to be one of the best-performing sectors of 2018, and there is still time for investors to get in on this trade.

## **CATEGORY**

1. Energy Stocks
2. Investing

## **TICKERS GLOBAL**

1. TSX:CFW (Calfrac Well Services Ltd.)
2. TSX:PSI (Pason Systems Inc.)

## **PARTNER-FEEDS**

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