



Looking for a Deep Value Stock? Check Out This Canadian Gem

Description

The art of deep value investing (finding stocks that are currently trading at levels that are either substantially below historical norms or are currently trading at a fraction of the company's book value) can be a very difficult task in today's current macroeconomic environment. Given the relatively sharp increase in valuations we have seen since the beginning of this bull market, investors looking for deep value may be resigned to waiting on the sidelines.

The good news for deep value investors is that such opportunities are always available, albeit in different quantities depending on the current market. In this article, I'm going to discuss **Trican Well Service Ltd.** ([TSX:TCW](#)), a company I believe deservedly falls into the buckets of oversold as well as deep value.

Trican, as its name would suggest, is a company that engages in drilling wells for the oil & gas industry. Given the current state of the oil & gas sector, the fact that investors and analysts remain overly pessimistic about the future for companies such as Trican may come as no surprise. Concerns about the long-term growth trajectories of companies such as Trican are likely to remain into the medium-term, given the little positive catalysts on the horizon for commodities prices in general.

That said, Trican's fundamentals is where value investors get excited. On a price to EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) basis, Trican is currently trading around 4.5-times (while the company has historically traded around seven-times EBITDA). While shares of Trican have rallied in recent weeks from below \$3 earlier this year, even at current levels, Trican trades around book value, meaning that investors are able to pick up shares of Trican at approximately the value of the company's assets at present.

Another aspect of Trican's model that I like is the fact that the company's management team has devoted much of its cash hoard toward buying back shares of the company over time, with approximately \$100 million expected to be the final number Trican will repatriate in the short-term. Given that \$100 million is nearly 10% of the company's market capitalization, a "back of the napkin" calculation would suggest double-digit stock price appreciation (at least) should be in the works for investors who are willing to be patient and wait out any sort of short-term price movements, which are

likely given the volatility we have seen in this sector of late.

Stay Foolish, my friends.

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TICKERS GLOBAL

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

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Author

chrismacdonald

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