STEP Energy Services Ltd. (TSX:STEP) Is Discounted by 64%

Description

Anyone can pick out dividend stocks. And some people have an eye for *good value* dividend stocks. But finding undervalued stocks that have something going for them *other* than dividends is a little trickier.

That's why we went through the best undervalued stocks that have high growth forecasts, and found this little beauty – so you don't have to.

This is one heck of an undervalued high-growth stock

You may not have heard of it, but **STEP Energy Services Ltd.** (TSX:STEP) is big in the oilfield service game, providing major oil players in the U.S. and Canada with coiled tubing and solutions for fracturing. While that doesn't sound super-exciting, it does mean that, as a company, STEP is somewhat better insulated against market variabilities such as a falling oil price, rising interest rates, flared international tensions, and other incessant bad news.

It's also way undervalued. At $10.39 a share at the time of writing, STEP is trading well below its projected future cash flow value of $28.49. Yes, that's a 64% discount you're looking at in case you really want to start salivating over figures. This means that you have an opportunity to almost triple your investment down the road if you're in the market to buy low and sell high.

Soothing multiples and stable assets make this stock a buy

So how big can STEP get? With a juicy 26.2% annual earnings growth ahead of it, STEP is one of the best high-growth stocks on the TSX when you factor in its stability. While STEP holds a fair amount of physical assets/inventory, its debt is well covered by its operating cash flow, with debt representing a very low 3.2% of net worth.

Its multiples look nice and soothing, too. Its P/E is 9.2 times earnings, which is less than half the oil service's average of 22.4 times earnings. Its PEG is a wonderfully low 0.4 times growth, so there's another indicator of how value this stock is right now. Its price-to-book ratio is 1.4, so it's a little over the asking in terms of assets, but not by much.

While STEP does not pay a dividend, you might want to look at this as yet another sign of its stability. Instead of dishing out cash to shareholders, STEP reinvests its earnings in its business operations. No payout is no big deal, because this alone means that the forecast growth that makes this stock so attractive is all the more likely to actually materialize. In other words, back this horse and there's a pretty good chance you'll triple your money. The only question is how much to invest.

The bottom line

It doesn't make much sense to overlook oilfield services if you're thinking of or already are investing in oil. While oil suppliers themselves are looking at falling prices for their products, their operations still have to be serviced, and operations are still springing up. As oil is still the backbone of industry, investing in a solid oil servicing company is a smart move – perhaps even smarter than investing in oil itself.

CATEGORY

1. Energy Stocks
2. Investing

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date
2025/08/16
Date Created
2018/06/18
Author
vhetherington