High Arctic Energy Services Inc. (TSX:HWO): 1 Value Stock With a Big Dividend Worth Looking at

Description

Finding cheap companies with good balance sheets and dividends can be challenging, but they do exist; you just have to dig them up. Often, stocks that are priced for value are sitting in sectors that have been out of favour for some time, leaving investors without hope for a turnaround. The oil sector is one investment space where cheap stocks abound, but the trick is to find ones that have strong balance sheets to support their businesses.

Energy services companies have really been beaten up over the past few years to the point where a value-oriented investor might be able to find some excellent bargains. **High Arctic Energy Services Inc.** (TSX:HWO) definitely fits into this category. The company provides oilfield services to companies in Canada and Papua New Guinea.

High Arctic provides investors with a value opportunity. The stock currently trades at around 15 times earnings and is priced below book value. It has far more cash than it has debt, making the dividend appear stable for the time being. And the cash has not been raised from share offerings, as is frequently the case with commodity-related companies. The share count has remained relatively stable for years.

Since the balance sheet is most definitely strong, what has given investors pause? Well, the year-over-year financial results were not stellar. Revenue over that period decreased by 17%, and earnings decreased by 51%. The company stated that the reduction came from a number of factors such as the expiry of contracts with certain oil rigs and fluctuations in foreign currency rates.

While these kinds of results do not inspire confidence, an important fact to keep in mind that is that the company still has positive earnings, which is not always the case for many companies in the oil sector at the moment. High Arctic also generates free cash flow — another indicator that this company is relatively strong financially.

High Arctic pays a pretty substantial monthly dividend of over 5% at the current share price. The dividend has not been raised for a few years, but it should be stable for the time being given the strength of the company’s balance sheet. However, the decrease in earnings and revenues should be watched carefully to see if the financial situation begins to strengthen. Otherwise, the dividend may become more vulnerable in the future.

High Arctic is not a large company, but it is an interesting possibility for investors looking for monthly income. Even though it did not have a great first quarter, its strong balance sheet provides some degree of safety for the time being. If you choose to add this company to your portfolio, higher oil prices should not only further secure the dividend but also drive the share price higher. However, continue to monitor its earnings and revenue to see if its financial position remains strong.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:HWO (High Arctic Energy Services Inc)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/07/02
Date Created
2018/07/29
Author
krisknutson