



Buy These Energy Stocks Now for Big Upside in 2018

Description

With the news of a larger-than-expected draw of crude oil, 5.8 million barrels for the week ended August 17, the price of oil is on an upswing again. While the price has been range bound in the high-\$60/low-\$70 range since March of this year, the catalyst to send it higher, increased geopolitical risk, can be awakened at any time.

So, whether oil stays range bound, as it has for months now, or continues higher, one point is clear: the longer that prices can be sustained above \$60, the more wealth accumulates for [energy companies](#) and energy stock investors.

Here are three oil services stocks that investors should consider bulking up on in order of least risky to most risky.

Pason Systems ([TSX:PSI](#))

The first energy stock on my list is a [dividend stock](#), Pason Systems.

Pason's technology, global diversification, and dividend yield make it the least-risky oil services stock on my list.

It is a very attractive option for investors — a global energy services company that currently has a dividend yield of 3.3%.

Pason has a strong track record, and when we look at its history, we can see evidence of strong cash flow generation, consistent dividend increases, and a very profitable business model.

In the first six months of 2018, the company reported a 24% increase in revenue, a 670-basis-point increase in EBITDA margins, and a 66% increase in funds flow from operations.

The stock has given investors a one-year return of 22%, and with continue strong oil prices, this is just the beginning.

Mullen Group ([TSX:MTL](#))

Next is Mullen Group, a solid, top-tier energy stock.

While Mullen is very leveraged to the Western Canadian energy space, the company offers diversification through its two business segments: oilfield services and transportation and logistics.

At this time, the company is becoming increasingly positive on the energy space, so it is increasing capital-expenditures program as it positions the company for the rebound.

They are also seeing improving conditions in the trucking business.

And with a top-notch balance sheet that positions it to capitalize on attractive acquisition opportunities, there exists much upside in the stock.

Precision Drilling ([TSX:PD](#))([NYSE:PDS](#))

While Precision's latest earnings release came in below expectations, the company remains well positioned to benefit from the recovery in drilling that is underway.

During the downturn, the company invested heavily in its fleet, meaning that it now has a high-grade rig fleet that should enable it to capture market share as the industry recovers.

Pricing continues to firm, activity continues to increase, and the second half of 2018 should see a continued ramp in cash flow and Precision Drilling's stock price.

In summary

The energy services sector has big upside ahead.

Getting into these highly cyclical stocks at cyclical lows is a good strategy to set your portfolio up for massive returns, as the cycle bottoms and makes its way to the highs.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

1. NYSE:PDS (Precision Drilling Corporation)
2. TSX:MTL (Mullen Group Ltd.)
3. TSX:PD (Precision Drilling Corporation)
4. TSX:PSI (Pason Systems Inc.)

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Date

2025/08/17

Date Created

2018/08/22

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