

Calling All Brave Investors: Canadian Energy Services Stocks Are Too Cheap to Ignore

Description

Energy services stocks.

Just when we think they can't go lower

They go lower.

When is it time to call it and start buying these stocks?

Schlumberger NV ([NYSE:SLB](#)), which is the \$62 billion U.S. energy services giant, has bounced 25% off of its December 2018.

This even as analysts keep cutting their estimates for Schlumberger amid continued industry struggles.

But here we are. Could this be a leading indicator for better times ahead for the energy services stocks group?

[Expectations](#) may finally be too low, and with the reality showing signs that things can quite possibly turn out better than the dismal expectations priced into the stocks in 2019, we have a thesis.

Precision Drilling Corp. ([TSX:PD](#))([NYSE:PDS](#)), the \$850 million Canadian energy services company that boasts the leading position in Canada, with its high-performance drilling fleet commanding better pricing and greater productivity, is the Canadian energy services go-to stock.

But, like all [energy companies](#), Precision has suffered from an industry in turmoil. It has also suffered from its own massive debt problem, which hit approximately \$1.6 billion in 2016.

The stock price has accordingly been a disaster, plunging by almost 50% in the last year.

But other than those two, really big issues, we can at least say that the company is very well-positioned, with high grade, high-performance drilling machinery that provides increasing levels of automation and profitability, a leading market share in Canada, and the fourth biggest market share in the United States.

Going forward, the debt problem is in the process of being resolved, as the company has been free cash flow positive for the last several quarters.

The company has already made good progress on this front, reducing its debt by approximately \$300 million in the last three years. Precision is targeting \$300 to \$500 million in debt reduction in the next three to four years, with \$75 to \$100 million of debt reduction in 2018.

As for the energy services industry, it is still in turmoil.

But we can see glimmers of hope shining through the rubble.

In increasing activity, in recent pricing increases in both the U.S. and Canada, and in the LNG opportunity that's is coming closer and closer to reality, and will result in increased demand for natural gas and therefore increased drilling.

So as management's plan to drastically reduce debt plays out over the next few years, this will act as a catalyst for the stock price, and along with slowly strengthening fundamentals, will be a big boost to the stock.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PDS (Precision Drilling Corporation)
2. TSX:PD (Precision Drilling Corporation)

PARTNER-FEEDS

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

Category

1. Energy Stocks
2. Investing

Date

2025/09/26

Date Created

2019/01/24

Author

karenjennifer

default watermark

default watermark