



The Outlook Is Dire for Canadian Energy Services Companies, but This Is Exactly What Contrarian Investors Want

Description

Mullen Group's ([TSX:MTL](#)) stock price is currently trading 20% lower than what it was trading at one year ago and almost 10% lower year to date.

It continues to be a very volatile energy market; it is increasingly difficult to forecast the lows, as we continue to see many false starts and the industry, remains mired in uncertainty and gloom and volatile oil prices.

Mullen Group CEO Murray Mullen is citing an environment that is “devastating” for drilling in Canada and therefore for energy services companies, and consequently the company has taken a writedown in its business, resulting in a loss of \$0.81 per share in the fourth quarter of 2018.

That's not good, although total revenue increased 12.6%, made up of a 27.6% increase in oilfield services revenue and a 6.3% increase in the trucking segment.

For those [contrarian investors](#) who are really looking at the energy space as a great long-term opportunity, what we need are some picks that will provide downside “protection” along with the strong upside potential.

For this, I give you **Pason Drilling Systems** ([TSX:PSI](#)).

Pason is trading almost 7% higher than the beginning of 2019 and 13% higher than year-ago levels, while providing a dividend yield of 3.67%. So, we can see the resilience of this company's business and stock price to this volatile and difficult energy market. There's also its global reach, its patented technology, and its top-notch balance sheet and cash flow generation.

You see, Pason is an “oilfield services” company that is just as much of a technology company, with a clear dominance in Canada and the opportunity to continue to expand into new products, industries, and geographic markets.

The company's competitive advantage lies in the technology it continues to bring to the market, making

the oil and gas business a less risky and more profitable one.

Pason's financials are top notch, and if we look at its history, we can see evidence of strong cash flow generation, consistent dividend increases, and a very profitable business model. The company will report its fourth-quarter 2018 results on February 26, where we can expect more evidence of this.

In the first nine months of 2018, Pason reported a 25% increase in revenue, a 574-basis-point increase in EBITDA margins and a 64% increase in funds flow from operations.

For a longer-term picture, Pason stock is down more than 40%, so clearly, even this company's stock is not completely immune to market forces.

But here lies the opportunity.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:MTL (Mullen Group Ltd.)
2. TSX:PSI (Pason Systems Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/06/28

Date Created

2019/02/08

Author

karenjennifer

default watermark