Soaring Up to 38% in 2019, Here Are 2 Top Energy Stocks to Buy in March

Description

With 2019 off to a good start for energy stocks, you may be wondering whether now is finally the time to start increasing your weighting in this sector.

A good place to start our search for the answer is the oil services sector, which is typically the first to move higher as the sector recovers.

And while there are clearly many issues that remain, such as limited pipeline capacity and reduced commodity prices, we have some oil and gas companies here in Canada that are performing well.

Companies such as **Pason Systems Inc.** (TSX:PSI), an oil field services — and 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 that it has and 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. If we look at its history, we can see evidence of strong cash flow generation, consistent dividend increases and a very profitable business model.

In 2018, revenue increased 24%, EPS increased 309%, and free cash flow increased 148%, as the company's international diversification paid off again, with strength in the U.S. and international markets more than offsetting weakness in Canada.

Pason is up 10% in 2019, and up 15% in the last year with a dividend yield of 3.59%.

Higher-risk **Precision Drilling Corp.** (TSX:PS)(NYSE:PDS), the biggest Canadian land driller and the fourth biggest in the U.S., has seen its stock skyrocket 38% so far in 2019, as it too is seeing strengthening results.

Canada remains a very difficult market, but Precision has been focusing on the booming U.S. market, which is seeing strong pricing and activity levels.

In 2018, Precision reported free cash flow of $178.8 million, the bulk of which was used to pay down debt, which now stands at $1.7 billion, a net debt-to-cap ratio of 49%, and a net debt to EBITDA ratio of 4.5 times.

So as we can see, 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 expects to reduce its debt by $$100 to $150 million in 2019 and by $400 to $600 million by 2021, thereby reducing the risk of this stock.

The company is very well-positioned, with high grade, high performance drilling machinery with increasing levels of automation, and with its strong market share positions in both the U.S. and Canada, we can see that this stock will be a big beneficiary of an improving oil and gas market.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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3. TSX:PSI (Pason Systems Inc.)

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