



2 Energy Stocks Set to Soar in 2019

Description

Oil prices continue to rally both worldwide and in Canada.

The West Texas Intermediate (WTI) price has rallied 41% year-to-date to the current \$63.83 price and the Western Canadian Select (WCS) price has rallied 47% year-to-date and an incredible 433% from its November 2018 lows.

Significant gains, right?

And supply issues around the world point to continued gains at least in the shorter to medium term.

In general, [energy stocks](#) have not kept pace with these gains, as investors seem to be stuck in the negative sentiment that has surrounded this sector for quite some time now.

In this article, I would like to review two energy stocks that I think you should buy as this sector remains significantly [undervalued](#) today.

In past cycles, we have consistently seen that energy services stocks are the first to move higher, and they move significantly higher, with unmatched leverage to oil prices.

Here are two energy services stocks to buy today for big upside tomorrow.

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

Since 2015, Pason stock has been stuck in the \$17.00 to \$21.00 range, as the price of oil has been volatile and difficult to predict and as investors have remained wary of energy stocks.

Pason is a global energy services company that provides leading-edge instrumentation and data management systems for drilling rigs, and Pason is a dividend stock that has continued to increase its dividends paid amid strong and rising free cash flows.

Currently Pason's dividend yield is a very attractive 3.54%.

The company 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.

The company's patented technology, global diversification, and dividend yield make it a relatively safe bet in the risky oil services industry.

In 2018, Pason reported a 25% increase in revenue, a 760-basis-point increase in EBITDA margins, and a 46% increase in funds flow from operations.

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 price skyrocket 36% so far in 2019, as it too is seeing strengthening results.

Canada has remained 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.

With recovering WTI and WCS oil prices, 2019 might just be the year for these Canadian energy services stocks.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:PDS (Precision Drilling Corporation)
2. TSX:PD (Precision Drilling Corporation)
3. TSX:PSI (Pason Systems Inc.)

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