



Another Energy Stock Schools Us on Why We Should Buy the Energy Sector

Description

The [energy sector](#) has been a headache to investors who have bet on it in the last few years.

With the Canadian energy sector and Canadian energy prices falling apart, there has been little good news for investors to hang their hats on.

But today, we are seeing many energy companies report strong cash flows and earnings results and companies that are not are trading at very depressed valuations, even though many of them are quality companies with strong assets and business models.

They are trapped in cyclical lows.

At this point, I would like to show you an energy stock that is an example of this phenomenon — a stock that investors would do well buying now in anticipation of strong gains, which are difficult to time but almost certain.

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

Pason is quality energy stock that is seeing strong increases in revenue, EBITDA, and EPS, yet the stock has been pretty much range bound in the low \$20s for the last two years.

In the latest quarter, the first quarter of 2019, revenue increased 11%, EBITDA increased 17%, and EPS increased 47%, as the company's international diversification and its value-added products and services proved to be essential for oil and gas exploration.

Pason is an energy services company that has been ahead of its time. As far back as the early 2000s, this company has been betting on technology's role to transform the oil and gas industry, making it less risky and less cost intensive.

Pason has many patents on its technology such as its Electronic Drilling Recorder (EDR), which has hundreds of sensors, performs bit position monitoring, and enables rigs to “share drilling data, reports,

and real time well information” to all the different specialists involved in the operation of oil and gas wells.

In a way, Pason is as much a technology company as it is an energy services company.

While Pason has not been as affected by the Canadian mess as some of the other, more Canadian-focused, less geographically diversified energy stocks, the fact is that Canada represents 22% of the company’s revenue, so it has been materially affected.

Plus, it too has felt the apathy of investors, and as such, Pason stock stands to benefit as the Canadian market stabilizes and as investor sentiment turns more positive.

While you wait, you have a dividend yield of 3.7% to keep you warm.

Final thoughts

In closing, I would like to reiterate that energy stocks are at cyclical lows, and while they certainly have had their struggles, many of these companies, like Pason Systems, have solid businesses and solid prospects that are clearly being [undervalued](#).

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Date

2025/07/26

Date Created

2019/05/02

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