



2 Energy Stocks Trading at or Around 52-Week Lows That Could Be Bargain Additions Today

Description

Investing in stocks when they are trading at cyclical lows is a smart way to pick up extra returns for your portfolio. As we know, an industry that is the throes of a cyclical low is the [Canadian oil and gas industry](#). While some of the bigger companies are doing extremely well, many other companies are losing money, scaling back activity, and just trying to stay afloat.

Through all this, the one thing that all oil and gas companies have in common is that their stocks are surrounded by deep pessimism and a lack of hope for a better future. This, in turn, has meant that energy stocks are [trading at very cheap valuations](#). Let's take a look here at two energy stocks that are trading at or around 52-week lows that could be bargains today for investors.

Shawcor is trading around 52-week lows

As a global energy services company, **Shawcor** (TSX:SCL) is in a favourable position within the energy space. Benefitting from geographic diversification and increasing product and business diversification, Shawcor is a good place to park your money while we wait for the cycle to turn.

The oil and gas industry currently has a system of oil and gas and water pipelines that are aging. In North America, for example, 62% of oil and gas pipelines is more than 21 years old and 19% is 11-19 years old. This aging infrastructure will require investments to replace, maintain, and rehabilitate the whole system to reduce leakage and improve performance.

This is where Shawcor comes in — a global energy services company specializing in technology-based products and services for pipelines and pipes, and the petrochemical and industrial markets. Shawcor is active in all high-growth segments, including Deepwater, Shale, LNG, Oil Sands, Enhanced Recovery, and Water.

Recent results have come in better than expected, which is a sign that expectations are finally too low, which we should like. Driven by the company's purchase of ZCL Composite, Shawcor's second-quarter

2019 results posted another better-than-expected EBITDA of \$36 million, 9% higher than expected, a 17% rise in revenue, and a 179% increase in EPS.

Perhaps the most significant recent development in Shawcor's business was the recent acquisition of ZCL Composites, a high-quality manufacturer and supplier of fibreglass-reinforced plastic underground storage tanks, which Shawcor bought for its revenue and customer stability.

ZCL serves the fuel, water and wastewater, and oil and gas markets, and as such, this acquisition is in line with the company's goal to diversify into different but related businesses. This acquisition will broaden Shawcor's composites expertise and give it an entry into the waste and wastewater market.

Pason Systems is trading at new 52-week lows

Pason Systems's ([TSX:PSI](#)) stock price has hit new lows off its second-quarter report, which showed the impact of protracted weakness in North American drilling activity, down 6% in the United States and down 24% in Canada. Management expects this weakness to continue as North American producers continue to restrain their drilling plans to keep capital spending covered by cash flows.

Offsetting this, the company saw higher market share, and an increase in revenue per EDR day, and higher activity levels in the international segment, which drove revenue growth of 7%. At the end of the day, this was not enough to counter negative forces, which drove down operating cash flow by 15%, as adjusted EBITDA margins declined 100 basis points.

Pason's offering to the oil and gas industry is that it brings technology to the oilfield, to the drilling process, and to its analysis, all of which results in lower-risk, lower-cost drilling and exploration. The company maintains its leading market share of 87% in Canada and 62% in the United States.

Going forward, we can expect Pason to recover as the oil and gas industry in Canada stabilizes. At this time, Pason Systems equipment is installed in over 65% of active drilling rigs in the Western Hemisphere. As a reflection of management's confidence in the business, the dividend was increased again this quarter.

Foolish bottom line

Pason Systems is a high-quality company with a high-quality offering for oil and gas exploration and production companies. The problem is that the fundamentals of the industry are pretty bad right now. To position your portfolio for better times, Pason offers investors a stock trading at bargain prices with an attractive dividend yield of 4.35%.

CATEGORY

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2. TSX:PSI (Pason Systems Inc.)

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