



Buy These 2 Canadian Stocks for Significant Gains in 2020

Description

The energy sector has been taking a heavy beating since the start of 2018. Some stocks have been battered while a few have held up quite strongly during this sectoral downturn. We look at two stocks in the energy sector that can make a comeback this year.

One is a solid stock, [a company that has impressed everyone](#) with its guidance for 2020 and that everyone is bullish about. The other company has been battered by the market and is around 10% above its 52-week lows. It represents a great buying opportunity.

Everyone is bullish on **AltaGas** ([TSX:ALA](#)). Rating agency S&P upgraded AltaGas from negative to stable in December, and analysts have given it an average target price of \$22.29 in the next 12 months. That's upside of over 12% from the current price.

AltaGas made a series of important announcements in December 2019 when it unveiled its guidance for 2020. The company is repositioning itself as a low-risk, high-growth utility and midstream company. The company is targetting an EBITDA in the range of \$1,275-\$1,325 million, underpinned by increasing contributions from its core businesses and lower interest expense due to lower leverage.

Approximately 15% growth in normalized EBITDA in the core utilities and midstream businesses will more than offset lost EBITDA associated with the 2019 asset sales. AltaGas is also suspending its dividend-reinvestment program, which will free up extra cash that will contribute to its \$900 million 2020 capital plan.

Pason Systems

Pason Systems ([TSX:PSI](#)) is a leading global provider of specialized data management systems for drilling rigs, which include data acquisition, well site reporting, remote communications, web-based information management, and analytics, and it enables collaboration between the rig and the office. Basically, Pason's software enables companies to make operations more efficient and reduce problems.

As the energy sector has suffered, Pason has taken a hit because of its association with the sector. In the third quarter of 2019, Pason's revenue numbers took a hit along with earnings and cash flow. However, Pason reworked its capital spending to ensure it stays cash flow positive.

Pason also made a couple of smart moves in the last four months of 2019. It invested \$25 million in October 2019 to acquire a minority interest in Intelligent Wellhead Systems Inc (IWS). IWS is a privately owned oil and gas technology and service company that provides proprietary and unique surface control systems for various markets globally, including unconventional shale, subsea intervention, critical well intervention, and offshore operations.

Pason is diversifying the business into the renewable energy sector as well. In September 2019, Pason invested \$20 million to acquire the majority interest in a U.S.-based software company that provides products and services for the solar power and energy storage industry. This provides a buffer for Pason as the core energy sector recovers.

Analysts have given Pason a 12-month average target of \$18.58. That's upside of over 40% from current levels. Pason is a tech company that gotten smacked because it operates in the energy sector. There is still a large part of the world that relies on fossil fuels to run. Pason is integral to that world.

CATEGORY

1. Energy Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. TSX:ALA (AltaGas Ltd.)
2. TSX:PSI (Pason Systems Inc.)

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