



## Crude Oil Price Slumps 30%: 2 TSX Energy Stocks To Avoid Right Now!

### Description

Russia and Saudi Arabia, two of the world's largest oil producers, couldn't see eye to eye on oil supply in the wake of the coronavirus crisis, and this clash has caused crude oil to crash to \$31.02 a barrel, near its 29-year low. Saudi-led OPEC wants to cut oil production, but Russia balked at the idea.

Saudi shifted gears and now claims that it can raise production to over 10 million barrels a day starting April 2020, giving Russia 20 days to come back to the negotiating table and cut production. Sound complicated? It is.

In this battle of brinkmanship between two giants, the smartest thing to do is to stay away from ancillary players that might get hurt. **Pason Systems** ([TSX:PSI](#)) just reported its fourth-quarter and full-year numbers for 2019, and the numbers are not encouraging.

The company generated consolidated revenue of \$68.4 million in the fourth quarter of 2019, a decrease of 17% from the same period in 2018.

The decrease is attributable to a drop in North American drilling activity. Adjusted EBITDA decreased to \$26.6 million in the fourth quarter, a decrease of 32% from the same period in 2018.

Pason Systems President and CEO Marcel Kessler stated, "The price for a barrel of WTI crude oil remained between US\$50 and US\$60 for most of the fourth quarter of 2019 and many operators constrained E&P capital spending within cash flows. As a result, Pason's operating environment across North America deteriorated further in the period. Drilling industry activity decreased by 24% in the United States and by 23% in Canada compared to the same period in 2018."

With prices at just over \$31 a barrel, the numbers for Pason should continue to drop. For the full year 2019 compared to 2018 revenue decreased 4% to \$296 million, adjusted EBITDA decreased 11% to \$130 million, net income decreased 14% to \$54 million, and free cash flow grew 1% to \$86 million.

It's therefore best to stay away from Pason until the oil market stabilizes.

## Enerflex Ltd.

**Enerflex Ltd** ([TSX:EFX](#)) engineers, designs, manufactures and provides after-market support for equipment, systems and turnkey facilities used to process and move natural gas from the wellhead to the pipeline. It runs operations across the world.

On January 25, 2020, [I'd written about Enerflex](#) and had recommended a buy. Enerflex was trading at \$11 at the time. Today, it has fallen to \$7.07 at writing.

With the global energy market struck by multiple headwinds, it appears unlikely that Enerflex is going to reverse its position anytime soon. Most energy stocks including Enerflex are likely to experience volatility until Saudi Arabia and Russia reach an agreement regarding production and output.

Enerflex has said that demand for its engineered systems product offerings remains dependent on global capital investment in oil and natural gas. Throughout 2019, bookings activity has slowed considerably, driven by several factors. First, producers have made a general shift to funding growth capital expenditures from free cash flow along with constrained access to capital markets for producers, uncertainty around global trade dynamics and geopolitical instability.

None of these factors looks likely to change anytime soon, however. Thus, at least in the short term, you should say away from Enerflex and Pason Systems.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:EFX (Enerflex Ltd.)
2. TSX:PSI (Pason Systems Inc.)

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