



Attention Value Investors, Snap Up This Stock!

## Description

In the oil and gas space, perhaps no company has truly been spared from the ire of financial markets in recent years. That said, companies like **Precision Drilling** ([TSX:PD](#)) have been hit particularly hard. Investors generally view companies that service the oil and gas sector as toxic, given the marked reduction in activity across the sector.

Precision Drilling is engaged in the drilling (duh) and maintenance of various oil and gas wells. It provides machinery and expertise for companies engaging in a number of different types of extraction methodologies.

Drilling activity is generally viewed as a barometer of sentiment in the sector. The intelligent folks who run the oil and gas companies do their homework and decide if investing in a new well makes sense, given the economic landscape today and over the next few years.

As might be expected, given the price of oil and the long-term shift toward non-fossil fuel forms of energy, new investment in drilling wells has slowed. This has hurt Precision Drilling's stock price.

## A value buy

Precision Drilling is a fascinating company from the perspective of someone considering an investment based on fundamentals and valuations. It [continues to get cheaper and cheaper](#). Over the past 12 months, shares of Precision Drilling are down approximately 40%.

This shift reflects the negative sentiment and poor outlook on the sector in the next few years. The company trades around 2 times cash flow, a valuation most in the financial community who follow the oil and gas sector would consider absurdly cheap. Precision Drilling has been hovering around 4 times EV/EBITDA. This valuation from another key metric demonstrates the stock is priced at a severe discount for value investors.

The question for many value investors is whether now is the right time to invest in a company like Precision Drilling, or will the slide continue?

## When to buy

I believe we are near the bottom of the cycle when it comes to commodities in general. From that perspective, jumping in now may turn out to be a great investment 10 years from now, for those able to hold on. I expect the ride for investors willing to pounce on a value name like Precision Drilling to be a bumpy one. I also think it will take time for investor sentiment toward oil and gas investments to shift.

The reason I like this deep value play at these levels is because the current drilling activity that Precision Drilling undertakes is right around the bare minimum to sustain the industry. The market has essentially discounted or ignored any growth at all for a company like this.

So, if the price of oil rises above \$60 WTI for an extended period and sentiment shifts higher, then Precision Drilling could see impressive gains. The expectation is that a much larger volume of drilling would be required to sustain prices at those levels.

## Bottom line

For investors seeking a real bargain amid a sea of overpriced tech and cannabis stocks out there, a company like Precision Drilling is worth considering. My recommendation, however, would be to have a 10-year timeline with an investment like this – close your eyes and hold on!

Stay Foolish, my friends.

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