



## Contrarian Investors: Down 45% in 2020, Is This TSX Stock a Buy?

### Description

Sometimes it takes a lot of understanding to read between the lines of what a company is trying to say. Many companies hide their expectations behind a lot of jargon. On occasion, however, companies may tell stockholders that they don't have a clue what the future will hold and they are doing their best to survive. While you could take a risky bet and invest in the company, it's best to take a cautious approach.

**Enerflex** ([TSX:EFX](#)) is a supplier of products and services to the oil and gas industry. Based out of Calgary, Alberta, the company's stock has taken a severe pounding for a year. Even before the pandemic, the crash in oil prices and the world economy slowing down, shares of this energy stock were down.

The shares moved from \$17 levels in July 2019 to \$10 levels in February 2020 to less than \$5 in April 2020 before a bouncing to \$6.84, where it currently trades. It just hasn't been able to catch a break.

### A look at the company's Q1 results

When Enerflex [announced its results](#) in May, investors were looking for some sort of strong statement from the company and were disappointed. Enerflex President, CEO & Director Marc Edward Rossiter stated, "In addition to COVID-19, the sector is also impacted by the severe downturn in oil prices.

Typically, our business lags commodity price action and associated impacts at the drill bit by four to six months. We're still in the early stages of assessing adverse impacts from this downturn."

He added, "Earlier in the year, we were cautiously optimistic that we will see an improvement in bookings as the year progressed, but that sentiment has changed in lockstep with current macro picture for energy. As a result, we expect Engineered Systems in Canada to be very quiet, while the U.S.A. will also be slow but somewhat better."

This means that Enerflex expects its high-margin business to slow down as North America poses a huge risk. Canada and the U.S. will record lower revenues compared to 2019.

Enerflex clocked revenues of \$366 million in the first quarter of 2020, reporting sales of \$485 million in the same period in 2019. The company has liquidity of \$530 million, which should probably see them through the crisis, but expect the road ahead to be painful. The company doesn't expect its receivables to go down significantly — a silver lining for the stock.

## The Foolish takeaway

Enerflex stock is not even a dividend play. It has a forward dividend yield of a paltry 1.24% even at such low share prices. [I had cautioned investors](#) against Enerflex in March, when oil prices slumped 30%. My assessment remains the same, as it seems unlikely to reverse its position anytime soon.

Several energy players will experience volatility in the second half of 2020 due to macro uncertainty and oversupply. The demand for Enerflex's engineering systems' product offerings depends on the global capital investment for natural gas. Several energy players have delayed capital spending in 2020.

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