



## Why This Small TSX Stock Soared 40% Last Week

### Description

**Secure Energy Services** ([TSX:SES](#)) stock has soared on some pretty bullish information that was just made public. Investors seem to be enamored with the growth prospects of this small, and relatively unknown **TSX** stock.

So, let's delve into what's going on in this [small energy company](#) headquartered in Calgary.

### The market welcomes new acquisition deal

Secure Energy Services stock price began to rally after this company announced an all-stock deal to acquire oilfield waste disposal competitor, Tervita Corp. As per reports, Secure Energy Services is making an all-stock Tervita. This friendly deal between two Calgary-based rivals appears to value Tervita at approximately \$478 million based on Secure Energy's closing price of \$3.24 on March 8<sup>th</sup>, 2021.

Since the announcement, Tervita's market cap has remained above this level, losing some altitude today.

Both companies jointly made a statement in a press release. They believe that this merger will be instrumental in forming a much more profitable midstream and environmental solutions business. It's an interesting combination for sure, and one that has Bay Street talking.

Further, the companies expect that this merger will lead to improved free cash flow alongside annual integration cost savings totaling \$75 million over the next 12 to 18 months.

### The market finally agrees with the underlying fundamentals of Secure Energy

Secure Energy's market capitalization stands at approximately \$630 million. At the same time, its enterprise value encompasses \$1.14 billion. Additionally, the Forward P/E Ratio and the expected 5-

year PEG Ratio is 38.73 and -0.66, respectively. With the shares of the company currently trading at \$4, it appears that the market is now in agreement with the underlying fundamentals of the company.

With the rapid recovery in oil prices, it appears a bull market in commodities is underway. Indeed, this surge in oil prices has propped up the entire energy sector, including Secure.

I'm more bullish than I have been on energy stocks in recent months. I think the market is pricing in overdue optimism in a sector that has seen nothing but headwinds in recent years.

## Bottom line

The rotation from growth to value is more defined today than I've seen in quite some time. Thus, it's understandable why investors are optimistic on stocks like Secure Energy to begin with.

The company's announced takeover of Tervita is one which does have the potential to produce a much more impressive overall business model. It appears the market is now pricing in this bullish sentiment, and providing a little momentum to a sector that really needs it.

Secure Energy is a small company, with what looks to be big upside right now. Investors looking for a high-leverage play on commodities prices should check this stock out today.

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