



Bullish on Oil? Check Out This High-Leverage Play Today

Description

With vaccination drives running full steam ahead, global economies have started their recovery in a big way. Many stocks on the TSX are back to trading at pre-pandemic levels. However, some sectors remain undervalued. One such sector happens to be energy today.

The impressive run we've seen in commodities should provide some continued momentum over the near to medium term for these stocks. However, investors have been bitten by bull markets in energy in the past. Accordingly, I think there's tremendous value here for investors bullish on the longer-term outlook for energy stocks today.

One such [high-leverage energy play](#) I'd invite investors to consider is **Trican Well Management** ([TSX:TCW](#)).

At first glance, Trican may seem to be a strange pick, considering that its shares are down more than 90% from all-time highs. However, I think this is the kind of value investors should be looking for today. Here's why I think this oil play is worth a second look today.

A symbiotic agreement that spells fortune

Trican's recent deal with **Tourmaline Oil** ([TSX:TOU](#)) is nothing short of an economic win for Trican's shareholders. Despite its current dirt-cheap valuation, analysts expect this stock to outperform the industry averages by a mile.

Under the agreement, Trican's existing CAT Tier 4 dynamic gas blending engines will be upgraded to reduce fuel costs and emissions. This procedure may cost up to \$20 million, which is actually a significant investment for Trican at the moment.

The timing of this investment is quite interesting. Trican wouldn't have engaged in such a deal if it wasn't expecting returns over the near to medium term. I think the company's placing its bets on the strength of this sector continuing for some time. For oil bulls, this is a good thing.

When oilfield service companies are activating and upgrading their equipment, it's a canary-in-the-coal-mine situation. I think Trican is looking to bet on the growth in this sector and is inviting investors to do so as well. This company's projecting sustainable EBITDA and FCF growth, which will need to materialize to make this deal make sense. If everything works out as planned, investors could be getting a great deal picking up shares of TCW at this level.

Impressive technicals boost its intrinsic value

Trican's short-term and long-term technical trends are positive, making it one of the better-performing stocks on the TSX. Its yearly performance is also extremely impressive, and it has shown a consistent pattern of stock price appreciation over the past year.

This stock is currently trading near its 52-week high and is only slightly lagging behind the S&P500 Index. However, it shows signs of high liquidity with average trading volumes much higher of late.

Trican's management has done an impressive job on the back of such remarkable technicals, selling assets to lower debt. Such moves reiterate that this company's upside potential today.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

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TICKERS GLOBAL

1. TSX:TCW (Trican Well Service Ltd.)
2. TSX:TOU (Tourmaline Oil Corp.)

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