



Booming Commodity Prices: 1 Value Stock to Benefit

Description

Shawcor (TSX:SCL) is a [growth-oriented company](#) that operates as three segments, including pipeline and pipe services, composite systems, and automotive and industrial. The company's business includes eight operating units and serves various sectors of the infrastructure, energy, and transportation markets. Shawcor operates through a global network of fixed and mobile manufacturing and service facilities and is valued for the company's technology and proven capability to execute complex projects.

Valuable pipeline services

The company's pipeline and pipe services segment is the largest segment of Shawcor, accounting for 56% of revenues. This segment provides services for the pipeline performance group, pipeline performance products and inspection services.

The segment manufactures specialized internal anti-corrosion and flow-efficient pipe coating systems, insulation coating systems, weight coating systems and custom coating and field joint application services for onshore and offshore pipelines. Further, Shawcor also manufactures heat shrinkable sleeves, adhesives and liquid coatings for pipeline joint protection applications. The company also designs and assembles engineered pipe logistics products and services.

Non-destructive testing services

The provision of ultrasonic and radiographic pipeline girth weld inspection services are an important part of Shawcor's service offering. The company ensures that [pipeline operators and construction contractors](#) get the support required for both onshore and offshore pipelines. Further, Shawcor also provides non-destructive testing services for new oil and gas gathering pipelines and oilfield infrastructure integrity management services. The company also provides pipeline engineering and integrity management services to major North American pipeline operators.

The composite systems segment accounts for about 27% of Shawcor's revenues. This segment, which

comprises of composite production systems and oilfield asset management, manufactures stick composite pipe systems for oil and gas gathering and high-pressure capabilities.

Diversified businesses

The company's automotive and industrial segment accounts for 17% of Shawcor's revenue. This segment manufactures heat-shrinkable products, which is an important part of Shawcor's service offering.

Through Shawcor's diversified businesses, the company serves a broad spectrum of customers in the energy industry and other industrial markets. Generally, the activities of the company as a whole are not dependent on any single customer or group of related customers.

Reduced supplier dependency

The company purchases a broad range of materials and components throughout the world in connection with Shawcor's manufacturing activities. Major items purchased by Shawcor include polyolefin and other polymeric resins, iron ore, cement, adhesives, sealants, copper, fibreglass, and other ferrous and non-ferrous wire. The ability of suppliers to meet performance and quality specifications and delivery schedules is critical to the maintenance of customer satisfaction and the success of Shawcor's business, but the company is not dependent on any single source of supply.

The current state of the global oil and gas market has caused volatility in pricing of major commodities. While the materials required for the company's manufacturing operations have generally been readily available, cyclical swings in supply and demand produces short-term shortages and price spikes. Despite these issues, Shawcor has the ability to pass on such price increases to customers over the medium term.

Overall, Shawcor trades at an inexpensive valuation and could be a great long-term buy for retail investors.

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