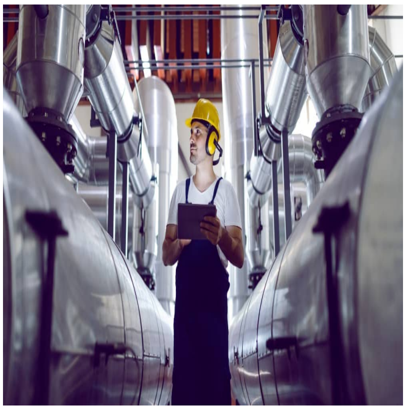

The Top Canadian Energy Stock to Bet on as Oil Prices Surge

Description

One of the sectors that has been among the most volatile in recent years has been energy. Indeed, seeing energy stocks fluctuate to the degree they have since the onset of the pandemic has been impressive. With oil prices briefly turning negative last year, investors got the shock of a lifetime and a lesson in how commodities sometimes aren't as defensive as they look.

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That said, the recent recovery in oil prices has provided legs to a recovery thesis among energy stocks. In particular, companies like **Trican Well Services** (TSX:TCW) that service the oil and gas sector are really coming into focus. Over the past year, shares of Trican have more than doubled, making this one of the best-performing energy stocks in the market.

Let's take a look at why that is, and what may take Trican on a nice ride from here.

There's reason to be bullish on energy stocks

The energy sector is currently stabilizing, given the newer (and much higher) commodity price levels seen of late. For producers looking to increase supply, there perhaps hasn't been a more bullish time to do so.

As a drilling and well management company, Trican benefits from increased activity in this sector. Analysts predict that the investment made by various energy stocks in boosting production could result in EBITDA growth of around 50% for Trican next year. Higher margins and serious revenue growth could be on the horizon — that is, as long as energy prices remain elevated.

We've seen energy prices come off somewhat in recent days, as investors price in risks to the economic recovery. Accordingly, energy stocks such as Trican aren't sure bets (no stock is).

That said, the amount of leverage to energy prices Trican provides is impressive. Accordingly, investors bullish on the continued rebound of the energy sector may want to consider Trican right now.

Recent deal with Tourmaline is bullish for Trican

Trican's recent deal with Tourmaline provides a tonne of upside potential for shareholders of this company. As per the provisions of this agreement, Trican's Tier 4 engines will be improved to minimize expenses related to fuel and emissions. The overall cost of this process might be as high as $20 million. Indeed, this is a substantial amount for Trican right now. That said, the time at which this deal has materialized is quite intriguing.

After all, this company wouldn't have signed this agreement, unless it had the expectation of generating positive near-term to medium-term returns for shareholders. It appears that Trican is looking to leverage the strengths of this sector. As a result, there appears to be ample room for optimism for those who are bullish on commodity prices.

Bottom line

Trican is one of the higher-risk, higher-reward energy stocks out there. This company doesn't have the prettiest balance sheet and has been hit hard for some time. Accordingly, there's reason to be cautious with this name.

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However, those bullish on the future of the energy sector may want to give Trican a look. It's among the best services plays in the energy sector right now, trading at a favourable valuation. Enough said.

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