



Why Major Drilling (TSX:MDI) Stock Gained 25% Last Week

Description

What happened?

While broader markets continue to trade volatile, some names have ticked notably higher recently. A specialized drilling company stock **Major Drilling** ([TSX:MDI](#)) jumped almost 25% last week. Since last year, it has soared 65% and is currently trading at its eight-year highs.

So what?

Better-than-expected quarterly numbers and rallying commodity prices have brought a delight for Major Drilling investors of late. Interestingly, the company's optimistic outlook could fuel the rally further.

Major Drilling is a \$930 million company specializing in unconventional drilling like directional drilling, deep hole drilling, and high-altitude drilling. It focuses on mines with more attractive mineral deposits that are located in remote locations and are difficult to access.

The last few quarters have been exciting for Major Drilling, mainly after its years of underperformance.

For the third quarter of fiscal 2022 that ended on January 31, 2022, it [reported](#) total revenues of \$139 million. That represents an increase of 38% year over year. In addition, its net income for the quarter came in at \$5.7 million versus a \$1.5 million loss for the same quarter last year.

Major Drilling mainly generates its revenues from gold and copper. As these two commodities ticked higher recently, miners upped their capital expenditures, ultimately improving business opportunities for companies like Major Drilling.

According to the company, the trend could continue when [gold prices](#) are at high levels, as reserves remain low and miners struggle to replace resource depletion. Decarbonization efforts will also keep pushing copper prices higher.

As existing resources are fully used, new mineral deposit discoveries will come from areas that are difficult to access. So, specialized drilling could gain more steam in the next few years.

Moreover, specialized drilling gives Major Drilling an important edge over peers and places barriers for new entrants.

Now what?

Major Drilling stock has tripled since its pandemic lows, notably outperforming [TSX stocks](#) at large. It is trading 28 times its earnings at the moment and looks stretched from the valuation angle. However, as metals will likely continue to show strength on increased geopolitical tensions, MDI stock will likely trade higher.

Even if Russia-Ukraine tensions ease in the near future, commodities will likely stay relatively strong given higher demand amid full re-openings. Thus, Major Drilling could see earnings expansion and superior financial growth for the next few quarters.

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vinitkularni20

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