



Forget Producers: These Energy Stocks Are the Best to Buy Now

Description

For much of the year so far, and all of 2021, energy stocks were unquestionably some of the best stocks to buy. Part of this was due to how badly they were impacted in 2020 during the first year of the pandemic and all the economic shutdowns around the world.

In addition, though, this high inflation environment is also having an impact on energy prices. And now, with the war in Ukraine and all the subsequent sanctions, [energy stocks](#) have a significant opportunity to continue growing.

However, despite the focus from investors on finding high-quality energy producers, many of these stocks have already seen significant rallies.

So, while you can still find energy producers to buy, some of the best energy stocks to buy now might be energy services companies.

What are the best energy stocks to buy now?

When prices initially increase for commodities, exploration and production companies see a boost to their businesses right away. That's because, without changing any of their operations or output, these stocks will (as long as they aren't fully hedged) immediately see an increase in their revenue.

Over the last year, and especially lately, as oil and gas prices have been rising, energy producers have been some of the best stocks to buy and hold.

Now, however, there could be more value elsewhere in the energy sector. Firstly, a lot of producers have already seen strong rallies. So, while they continue to offer some value and growth potential, many stocks have already seen significant gains.

Energy services companies, however, have lagged their producing peers. So, there is more value for investors to find looking to buy high-quality energy services companies today.

In addition, with the supply of oil and gas being heavily impacted by sanctions on Russia, there's a strong possibility that these producers will start to ramp up production. And when that happens typically, energy services stocks can see a significant boost to their businesses.

If you're looking for the best energy stocks to buy now, and especially if you already have exposure to producers, I'd recommend considering a high-quality energy services stock.

A top Canadian energy stock with tonnes of upside potential

There are several attractive energy services stocks to consider in the recent environment. For example, **Precision Drilling** ([TSX:PD](#))([NYSE:PDS](#)), Canada's largest provider of drilling rigs and service rigs, just reported its first-quarter earnings for 2022.

Precision reported an almost 50% jump in revenue year over year, beating analysts' expectations considerably. In addition, it also announced an increase in its capital spending due to the recent increase in demand for its services.

Precision Drilling is just one of many Canadian energy stocks that could offer an attractive [return on investment](#) if you're looking to buy today.

CES Energy Solutions ([TSX:CEU](#)) is another one of the best Canadian energy stocks to buy now. CES is an energy services company with tonnes of potential in the current environment.

What's so attractive about CES is that roughly two-thirds of its revenue comes from the U.S., it has an attractive business model, and the company has proven it can generate strong free cash flow.

So, with CES Energy Solutions trading at a forward price-to-free cash flow ratio of just over 10 times, it's slightly cheaper than Precision Drilling and one of the best energy stocks to buy in the current environment.

CATEGORY

1. Energy Stocks
2. Investing

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2. TSX:CEU (CES Energy Solutions Corp.)
3. TSX:PD (Precision Drilling Corporation)

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