All Is “Well”: 2 Energy Services Stocks With Market-Spanking Gains

Description

Investors in the energy sector have been marveling at their massive gains this year due to the favourable pricing environment. Nearly all industry players, whether in exploration & development, oil & gas midstream, or royalty companies, have rewarded shareholders with significant returns in 2022.

However, not to be outdone are companies operating in the oil & gas equipment & services sub-sector. All is well, too, for investors in **Calfrac Well Services** (TSX:CFW) and **Trican Well Services** (TSX:TCW). Both stocks have market-spanking gains and outperform the broader market (-4.73%) year to date.

At $7.11 per share, Calfrac investors have a positive gain of 69.29% thus far in 2022. Meanwhile, Trican trades at $4.11 per share, representing a 45.4% year-to-date gain. Based on market analysts’ price forecasts, the upward trajectory should extend to 2023.

A solid foundation for 2023

Calfrac’s $91.32 million adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) in the third quarter (Q3) of 2022 was the best in a quarter over a decade. Moreover, because of higher pricing and activity, revenue jumped 66.7% to $438.33 million versus Q3 2022. Net income reached $45.35 million compared to the $7 million net loss a year ago.

This $332.72 million company provides specialized oilfield services to exploration and production companies in Western Canada, Argentina, and the United States. Also, the combined fleet of 1.3 million horsepower makes Calfrac one of the largest hydraulic fracturing companies in the world.

Calfrac began operations in 1999 and has become a key energy services provider. The unique requirements of its diverse client mix are growth drivers. Besides the most active exploration and production companies, its customer base includes multinational public companies, national oil & gas companies, and small private companies.

According to its chief executive officer Pat Powell, management’s top priority is to focus on increasing cash flow while maintaining a strong safety and service quality performance. He said, “While we have to remain focused on finishing this year strong, I am looking forward to 2023 and building on the solid foundation that we have laid this year.”

Excellent financial shape

Trican is a supplier of oil and natural gas well-servicing equipment. The $932.9 million company also provides solutions to customers through the drilling, completion, and production cycles. Like Calfrac, Trican benefits from strong industry activities and a more constructive pricing environment.

The significant improvements in this year’s financial performance are due to the twin factors. In Q3 2022, revenue and free cash flow (FCF) increased 57% and 117% year over year to $258.3 million and $64.9 million, respectively. Notably, profit soared 324.44% to $38.2 million versus Q3 2021.

According to management, Trican’s balance sheet remains in excellent shape owing to the positive working capital of $124.5 million after three quarters. Furthermore, it has no long-term debt to worry about.

Currently, Trican operates the newest, most technically advanced fleet of fracturing equipment in Canada. The deployment of the country’s first next-generation fracturing fleets in 2022 was a huge success.

Profitable, price-friendly options

Calfrac and Trican may not be as popular as pipeline operators and oil sands producers. However, from an investment perspective, energy services stocks are profitable options in the current environment. Both are price friendly, too.

CATEGORY

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2. TSX:TCW (Trican Well Service Ltd.)

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