



Pulse Seismic: An Energy Stock Like No Other

Description

Pulse Seismic ([TSX:PSD](#)) is a tiny company. In fact, it's an energy stock with a market capitalization of a mere \$102 million. In an industry that has seen massive growth in the last couple of years, this seems too tiny to consider. But let's dig a bit deeper. I think it's worth a look due to the long-term potential opportunity here.

A few things are worth noting, as they inform my outlook on the stock and the company. They speak of better days ahead and they help answer the bottom-line question: is Pulse Seismic stock a good buy today?

An energy stock unlike any other

Simply put, Pulse Seismic owns Canada's largest licensable 2D and 3D seismic data library. This library covers all major non-oil sands and natural gas plays across Western Canada. This data is of extreme value, because it informs oil and gas exploration and production activities. Essentially, the information reduces the risk of these activities. It also lowers costs, as drilling and exploration can be more precise, targeted, and efficient with these images.

Pulse Seismic can be characterized by a few factors. Firstly, while the company is small and its business is very targeted and one-dimensional, it is essential for the booming oil and gas industry. Also, its data library is highly technical and offers the highest-quality 2D and 3D seismic data in the Western Canadian basin. Lastly, the company's revenue is spotty and difficult to forecast. This is because the demand for seismic data is not strongly linked to short-term industry activity.

This being said, it remains clear to me that in the long run, Canada's oil and gas industry is set for growth. Canada is among the lowest-cost oil- and gas-producing countries, it's a secure place to do business, and oil and gas exports are increasingly heading overseas. This has opened the industry up to huge demand from Asian and European countries. Pulse Seismic will surely be a part of this growth.

A look at Pulse Seismic's financial performance

Management is very clear about the fact that its financial results are difficult to predict. This is surely not a good thing for investors who want forecasting ability. However, in the last five years, revenue has grown to more than \$49 million in 2021 from \$43.5 million in 2017. Sadly, management is expecting revenue of a mere \$9.6 million in 2022.

There's hope for a recovery, but the fact is that the timing and magnitude of any recovery is difficult to predict. Essentially, a library sale of any size can occur at any time. All we can do is have faith that the company's low debt, low capital expenditures, and conservative nature will see it through.

If it seems a bit random, well, it is. As for me, I think that the company's data library is very valuable. I'm just not convinced that this is the best money-making opportunity in the oil and gas sector right now. In my view, Pulse Seismic would have to be trading at a much lower multiple than its current 2.8 times book value and 8.2 times cash flow given its lack of visibility and low returns on equity.

If it gets cheaper, however, I would pounce on it because [there is long-term value here](#). I mean, it's only a matter of time before new sales materialize. Also, because the company is working on developing the value of its data for broader applications in the high-growth alternative energy industries.

Tourmaline stock: A better choice for energy sector exposure

For now, I would rather opt for an energy stock like **Tourmaline Oil** ([TSX:TOU](#)). Tourmaline is one of Canada's [largest natural gas producers](#) that's benefitting significantly from a booming natural gas and natural gas by-product export market. This is because demand from Europe and Asia is driving unprecedented export volumes.

In my view, Canada's standing as one of the most secure and lowest cost global sources of energy will see it through a strong period of growth. Tourmaline stock will almost certainly benefit greatly from this.

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