

Precision Drilling Corporation

Sector | Energy

CMP
\$83.24

Target
\$94.63

Risk Level
High

Recommendation
Buy

Positioned to benefit from strong Canadian fundamentals

December 27, 2024

Key Highlights

- **Strong financial performance:** The company has delivered a healthy operating performance for Q3FY24 and 9MFY24 ended September 30, 2024. For Q3FY24, revenues increased 6.8% YoY to \$477.0 Mn as a result of higher Canadian and international activity, partially offset by lower U.S. activity, day rates and lower idle but contract rig revenue. EBITDA grew by 24.3% YoY to \$142.0 Mn due to increased Canadian and international results and lower share-based compensation. The net income grew by 98.0% YoY to \$39.2 Mn due to higher EBITDA, coupled with increased gains on asset disposal and reduced finance costs, partially offset by an increase in income tax expenses.
- For 9MFY24, the company's revenue increased by 0.2% YoY to \$1,434.0 Mn. EBITDA decreased by 12.9% YoY to \$401.0 Mn due to decreased U.S. drilling results and higher share-based compensation, partially offset by the strengthening of Canadian and international results. The net income decreased by 32.4% YoY to \$96.0 Mn due to lower EBITDA, coupled with an increase in D&A costs, lower gains on asset disposal and foreign exchange costs, partially offset by a lower finance costs, gain on investment and other assets, and lower income tax expenses.

Growth Catalyst

- The AlphaTM and EverGreenTM products would help in extending market penetration and competitive advantage for the company, and also help in reducing customer diesel consumption, operating costs, and emissions.
- High demand for Super Triples and Super Singles rigs in Canada would help in ensuring strong Margins and enhanced free cash flow.

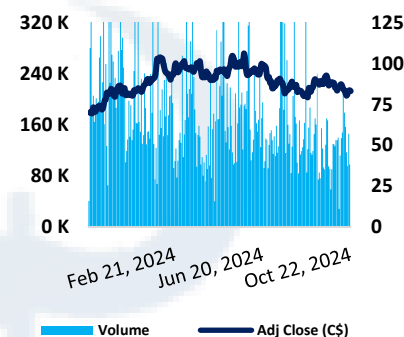
Key Risks

- The company's operations depend on the prices of oil and natural gas, which are subject to volatility and on the exploration and development activities of oil and natural gas exploration and production companies.
- Intense price competition and the cyclical nature of the contract drilling industry could have an adverse effect on revenue and profitability.

Stock Information

Ticker	TSX: PD
Mkt Cap	\$1.18 Bn
52-Week H/L	\$68.92 - \$109.20
Beta (x)-5Y Monthly	2.75x
Div. Yield (%)	
Outstanding Shares	14.07 Mn
Duration	12 months

Stock Performance



Company Overview

Founded in 1951 and headquartered in Calgary, Canada, Precision Drilling Corporation (TSX: PD) provides onshore drilling, completion, and production services to exploration and production companies in the oil & natural gas, and geothermal industries in North America and the Middle East. The company operates through Contract Drilling Services and Completion and Production Services segments. The Contract Drilling Services segment offers onshore well drilling services to exploration and production companies in the geothermal, oil, and natural gas industries. The Completion and Production Services segment provides service rigs for Well completion, workover, abandonment, maintenance, and re-entry preparation services; equipment rentals; and camp and catering services to oil and natural gas exploration and production companies.

Technical Overview (Daily)



Source: investing.com

On the daily time frame chart, the stock while remaining in an underlying uptrend, made a high of \$109.20, but it could not hold onto bullish momentum and slipped from there to make a low of \$78.80. From the low, the stock retraced up close to 38.20% Fibonacci extension. It again pulled back and took support close to 0.00% Fibonacci extension, but higher than the swing low formed earlier. For the past few days, the stock has been rising backed by technical indicators such as rising volume, and an RSI reading of 45, suggesting bullish momentum.

Going ahead, the stock may face initial resistance around the 23.6% Fibonacci extension level of \$88.58. Beyond that, it will find strong resistance around the 38.2% Fibonacci extension level of \$94.63. On the flip side, if the price starts correcting it may find its initial support around the recent swing low of \$80.00. On breaking this level, the major support would be around the 0.0% Fibonacci extension level of \$78.80. Investors with a risk appetite may buy the stock at the CMP of \$83.24. Given the backdrop of high volatility in the market, we would advise investors to invest along with technical support and resistance levels.

Stock Name & Code: Precision Drilling Corporation (TSX: PD)

Resistance 1	Resistance 2	Support 1	Support 2
\$88.58	\$94.63	\$80.00	\$78.80

Note: We assume that the position will be taken along with resistance and support level. On triggering of the support level, it will be assumed that the Buy position has been built while on triggering of the resistance level (confirming the target price), the Sell position will be assumed to have been built.

Technical Indicators Defined: -

Support: A level at which a downward-trending asset attracts buying interest, preventing the price from falling further.

Resistance: A level at which an upward-trending asset experiences selling pressure, preventing the price from continuing to rise.

Stop-loss: It is a level that prevents further losses caused by adverse changes in stock prices.

Bollinger band: The Bollinger band is a technical indicator that indicates a financial asset is about to enter an overbought or oversold state. There are three lines that make up a Bollinger Band on a price chart. The first line is the simple moving average (SMA), which is usually a 20-period moving average of the asset's price. It takes price data over a specific time frame and averages it out so you can see the big picture. Second is, upper band, which is defined as the band located above the middle band, often two standard deviations higher. Finally, there is the lower band, which is situated a specific number of standard deviations (usually 2) below the middle band and signifies possible overbought situations when prices approach or surpass it. Prices that go close to or go below this zone can be a sign of possible oversold situations.

RSI: The Relative Strength Index (RSI) measures the speed and strength of price fluctuations over a specific time period (typically 14 days). It analyzes the internal strength of a price movement, allowing traders to spot market momentum.

EMA: Exponential Moving Average (EMA) is a type of moving average that gives more weight and importance to the most recent data points. It is used to evaluate the bullish and bearish trends in securities over a specific timeframe.

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