



Should You Buy Baytex Energy Corp. for Its 6.7% Yield Today?

Description

Baytex Energy Corp. ([TSX:BTE](#))(NYSE:BTE), one of the largest crude oil and natural gas producers in North America, announced fourth-quarter earnings before the market opened on March 5, and its stock has responded by falling over 2% in the trading sessions since. The company's stock now sits more than 63% below its 52-week high, so let's take a closer look at the results to determine if we should consider initiating long-term positions today, or if we should look elsewhere for an investment opportunity instead.

Breaking down the fourth-quarter results

In the fourth quarter of fiscal 2014, Baytex reported a net loss of \$316.82 million, or \$2.16 per diluted share, compared to a net profit of \$31.17 million, or \$0.25 per diluted share, in the same quarter a year ago, as its petroleum and natural gas sales increased 47.1% to \$472.39 million. These results were driven by its acquisition of 22,200 net acres of land in the Eagle Ford shale for approximately \$2.8 billion in June of 2014, which led to its daily production increasing 53.2% to 92,220 barrels of oil equivalents per day in the fourth quarter compared to the year-ago period.

Here's a quick breakdown of eight other notable statistics from the report compared to the year-ago period:

1. Daily production of heavy oil decreased 0.3% to 43,135 barrels per day
2. Daily production of light oil and condensate increased 346.6% to 26,916 barrels per day
3. Daily production of natural gas liquids (NGL) increased 300.9% to 8,098 barrels per day
4. Daily production of natural gas increased 100.9% to 84.43 million cubic feet per day
5. Funds from operations increased 66.4% to \$245.51 million
6. Funds from operations increased 24.6% to \$1.47 per share
7. Capital expenditures increased 105% to \$179.03 million
8. Paid out dividends totaling \$0.58 per share for a total cost of approximately \$72.51 million during the quarter, compared to dividends totaling \$0.66 per share for a total cost of approximately \$59.53 million in the year-ago period

Is now the time to buy shares of Baytex?

I think the post-earnings weakness in Baytex's stock represents an attractive long-term buying opportunity because it has a very high dividend yield, which I think is safe from reduction, and because I think the price of oil will rebound over the course of the year.

First, Baytex pays a monthly dividend of \$0.10 per share, or \$1.20 annually, which gives its stock a very high 6.7% yield at current levels. I also think this dividend is safe from being cut because the company generates ample funds from operations each quarter and year, including \$245.51 million in the fourth quarter and \$879.79 million in fiscal 2014. Funds from operations are a key measurement of performance for energy companies like Baytex because it demonstrates a company's ability to generate the cash flow necessary to fund dividend payments and capital investments.

Second, I think the price of oil will head higher over the course of the year and end up around \$80 per barrel, which will lead to investors piling in to energy stocks like Baytex.

With all of the information above in mind, I think Baytex Energy Corp. represents a great dividend investment opportunity today. Foolish investors should take a closer look and consider beginning to scale in to long-term positions.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BTE (Baytex Energy Corp.)

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