



Is the Party Over for Baytex Energy Corp.?

Description

Baytex Energy Corp. ([TSX:BTE](#))(NYSE:BTE) recently enjoyed a nice 60% bounce off its lows, but the company looks like it is giving back the gains, and fast.

Let's take a look at how things have been going up to now and whether or not you should consider buying the stock.

A tough year

Baytex is down about 85% from where it traded in the middle of October 2014. That's a nasty hit for shareholders who decided to hold on for the ride.

As oil prices fell last fall, Baytex scrambled to avoid a cash crunch. The company slashed the dividend by 60% and reduced capital expenditures. By mid-December things were looking pretty ugly, with the stock hitting a 2014 low of around \$15 per share. Just three months earlier it sold for nearly \$50.

Management renegotiated terms with its lenders and then successfully sold \$630 million in new stock to shore up the capital position. In Q2 2015, oil prices rallied back above \$60 per barrel, and Baytex even traded for \$20 per share right up until the end of June.

During the second quarter, Baytex actually had enough operating cash flow to cover the capital expenditures and the reduced dividend.

Then things went bad again.

Oil prices plunged through July and August, and Baytex was forced to cancel the dividend altogether, and reduced spending again in an effort to hold on until prices recover.

The stock fell right through the entire third quarter and hit the recent low near \$4 before the latest pop.

Outlook moving forward

At this point, the company is at the mercy of the energy market. If oil can catch another tailwind, the

stock will rise with it. Otherwise, it's just a matter of time before something has to give.

Baytex owns very attractive assets in the Eagle Ford play, and it would make sense for one of the larger players to come in and take Baytex out.

The company expects to end 2015 with \$1.8 billion in senior debt. At the time of writing, the stock trades for \$5.20 per share, which gives it a market valuation of about \$1.1 billion, so a buyer could get the whole works for as little as \$3 billion.

There would have to be a premium to entice shareholders to sell, but that would only add another \$500 million or so.

Should you buy Baytex?

As we saw with the recent rally, the upside potential is significant if oil prices move higher. A takeover battle would juice the stock even more, and current investors could see the shares head toward \$10 in the right circumstances.

At this point, that is all speculation and buying Baytex is still a risky bet to make. I would look elsewhere for a place to invest your money.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BTE (Baytex Energy Corp.)

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