



Baytex Energy Corp.: Should investors Buy In or Bail Out Today?

Description

Baytex Energy Corp. ([TSX:BTE](#))(NYSE:BTE) has enjoyed a spectacular rally since mid-January, and investors who missed the big move are wondering if the pullback is an opportunity to buy the stock.

Let's take a look at the current situation to see if Baytex should be in your portfolio.

Tough times

Investors who had the guts to get in at \$2 per share have enjoyed the surge to \$8, but the recovery is little consolation for long-term holders of the stock.

Back in the summer of 2014 Baytex was a popular pick among dividend investors. The stock traded for \$48 per share and offered an annualized dividend of \$2.88 per share.

In June of that year WTI oil was still above US\$100 per barrel and Baytex closed its game-changing acquisition of Aurora Oil and Gas for \$2.8 billion.

By December oil was in a free fall and Baytex traded for about \$15.

Management did a good job of keeping the company alive through 2015. They cut the dividend, raised capital at an opportune time, and renegotiated terms with lenders.

When WTI oil fell below US\$30 per barrel in January, the market pretty much threw in the towel on Baytex because the company simply wouldn't be able to survive at that price.

The surge in WTI oil back to US\$50 has given investors hope again because Baytex has a current cost structure that enables it to tread water when WTI oil is above US\$40 per barrel.

What's Baytex worth?

The stock recently topped \$8 per share. Baytex figures its net asset value is about \$11 per share, and that's based on assumptions of much lower oil prices.

If you believe the company's numbers, Baytex is still a bargain even after the big rally.

At some point I think Baytex will be bought out. The company holds an attractive portfolio of assets that are worth significantly more than the current valuation if oil manages to push higher in the next few years.

Having said that, the stock remains very volatile and another summer oil rout could quickly send the share price back toward the January low, so I wouldn't back up the truck today. In fact, those who stepped in back in January might want to take some profits.

Contrarian types who believe oil is still in the early innings of a recovery should keep the name on their radars, but it might be a good idea to sit on the sidelines until the pullback has run its course.

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