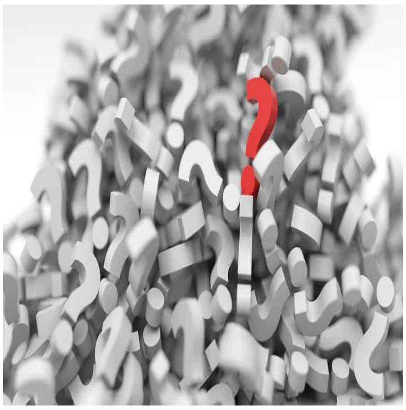

Contrarian Investors: Could Baytex Energy Corp. or Cameco Corp. Double by 2018?

Description

Contrarian investors are always searching for troubled stocks that could be on the cusp of a recovery.

Let's take a look at **Baytex Energy Corp.** (TSX:BTE)(NYSE:BTE) and **Cameco Corp.** (TSX:CCO)(NYSE:CCJ) to see if one is an attractive pick right now.

Baytex

The oil rout has been tough on the entire energy sector, but highly leveraged names like Baytex have really taken a beating.

How bad has it been?

Baytex was a $48 stock just three years ago. Today, investors can pick it up for about $3.50 per share.

Long-term investors are not likely to see a return to the former highs, but new investors in the stock might have a shot at some nice gains.

Why?

Management has done a good job of reducing costs through the downturn, and Baytex is targeting 2017 exit production growth, despite the ongoing difficulties in the market.

If oil recovers meaningfully in the coming months, Baytex should be able to expand its capital plan heading into 2018 to boost production and cash flow and pay down more of the debt. At this point, the debt load is the main reason the stock remains so volatile on downward moves in oil prices.

The company owns attractive resources and has calculated its net asset value to be above $10 per share.

The big wildcard is the price of oil, and analysts are all over the map with their predictions.

Bears are suggesting we could see a plunge back to US$30 per barrel, while the bulls are calling for a move back above US$60.

Cameco

Cameco traded for $40 per share in early 2011 when uranium prices were close to US$70 per pound. Today, uranium spot prices are close to US$20 per pound, and Cameco trades for less than $13 per share.

What happened?

The Fukushima disaster in Japan forced the country to shut down its entire fleet of nuclear reactors.

Efforts to get the facilities back online are being held up by legal challenges and operational issues, and less than five of the country's 42 operable reactors are back in commercial service.

Uranium bulls point to the construction of more than 50 new reactors around the world and say a recovery is on the way. One report suggests annual uranium demand could rise 50% by 2030.

That might be the case, but secondary supplies continue to offset production cuts, and there is little evidence that a turnaround is on the way in the near term.

In addition, Cameco is caught up in a nasty tax battle with the Canada Revenue Agency (CRA) that could result in additional taxes and penalties of more than $2 billion.

Could one stock double by year-end?

I wouldn't bet on a meaningful recovery in either stock in the coming months.

The oil market remains oversupplied, and rising U.S. production will likely put a cap on any price gains that could come as a result of output cuts by OPEC. As a result, it's unlikely Baytex will see an outsized move to the upside.

The uranium market looks even worse, and in Cameco's case, the CRA battle could remain a major drag on the stock through next year.

Is one a buy for 2018?

Contrarian investors who think oil could rebound in 2018 might want to start nibbling on Baytex stock, but I would keep any position small at this point.

CATEGORY

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. TSX:BTE (Baytex Energy Corp.)
3. TSX:CCO (Cameco Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

Date
2025/07/08
Date Created
2017/08/10
Author
aswalker