



## Contrarian Investors: Is Baytex Energy Corp. or Cameco Corp. a Better Bet?

### Description

Contrarian investors are always searching for beaten-up 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 attractive right now.

#### Baytex

Baytex was a \$45 stock just three years ago. Today, investors can pick it up for about \$3.30.

Ouch!

The bloodbath shows just how bad the downturn in the oil sector has been, especially for Baytex and other companies that loaded up on debt to make expensive acquisitions right before the bottom fell out of the market.

The rough ride for investors doesn't show it, but Baytex has done a good job of reducing costs and is actually growing production in 2017.

Management has avoided major asset sales, which means there should be some significant upside potential on a rebound in oil prices. In fact, Baytex has calculated its net asset value to be above \$10 per share based on a reasonable assessment of the resources.

The business is still handcuffed by its debt load, so investors have to be wary of another plunge in WTI prices toward US\$40 per barrel. However, a recovery in oil prices would quickly alleviate market concerns and likely send the stock much higher.

#### Cameco

Cameco has also been the victim of a falling commodity price. In this case, the culprit is uranium.

What's up?

The Fukushima nuclear disaster in Japan in 2011 forced the country to shut down its entire fleet of nuclear reactors.

As a result, uranium spot prices went into a downward spiral, falling from US\$70 per pound to about US\$20 per pound today.

Japan is struggling to get its reactors back in service. At the time of writing, fewer than five of the country's 42 operable reactors are in commercial operation.

Uranium bulls point to the 50 new reactors being built around the world and say rising uranium demand, coupled with production cuts, could trigger a shortage position in the future.

That scenario could certainly play out, but secondary supplies continue to offset lower primary output, and there is little evidence to suggest a turnaround is in the cards in the near term.

On top of this, Cameco is caught up in a nasty battle with the Canada Revenue Agency (CRA) over taxes owed on earnings generated through a foreign subsidiary. If Cameco loses the case, it could be on the hook for penalties and taxes of more than \$2 billion.

### **Is one an attractive bet today?**

There probably isn't a need to rush out and buy Cameco right now.

As for Baytex, if you think oil is going to drift higher through the end of 2017 and into next year, it might be worthwhile to start nibbling, but I would keep the position small.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. 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
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